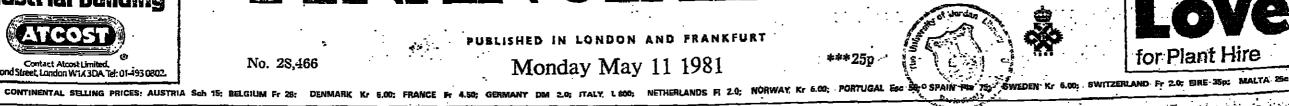
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Berlin

election

coalition in Bonn.

Leslie Colitt in Berlin

THE RULING Social Democra*Liberal coalition Government in

West Berlin has suffered a

major election defeat at the hands of the Christian Democrats (CDU), which could have repercussions for Chanceller Helmut Schmidt's SPD-led

West Berlin has traditionalli-

been a socialist stronghold, hut

in this election, the CDU 190

47.3 per cent of the votes and only 38.4 per cent went to the SPD. The FDP (liberal) shows

dwindled to only 5.5 per cent.

but, if it decides to reverse its

political allegiance, it could

give the Christian Democrat:

POLL RESULT*

% of votes

38.3

NEWS SUMMARY:

All-out civil servants' call likely

GENERAL

A call for an all-out strike by members of the Civil and Public Services Association, Britain's largest Civil Service union, is likely to be approved at its annual conference today.

An emergency motion from Liverpool customs officers will propose the closure of all ports and airports by indefinite strikes as well as a five-day national stoppage to escalate the nine-week-old dispute. Back

Israel mission

special envoy of President Ronald Reagan is due in Jerusalem today in a lastminute attempt to prevent war between Syria and Israel over Syrian missiles in Lebanon. Back Page

Dearer petrol

Petrol will cost about ap a gallon more under a Govern-ment plan to reduce its lead content, expected to announced today. Page 4

Poll awaited

Irish Prime Minister Charles Haughey is believed likely to month. Back Page

Basques killed

Treaty rejected

in the Nethrelands have rejected a plan for a political secretariat and a foreign policy der Klaauw said. Closer on

Doctors held

striking over a ban on private practice. In four days at least hospital patients have died

Raids warning

Zimbabwe would fight back if South Africa fulfilled its threat to launch cross-border raids. Home Affairs Minister Richard Hove warned. He said it harboured no guerrilla bases.

Anti-bias Bill

News media would be forced to correct distorted reporting under a Labour Bill before Parliament next month. Page 5

Discounts fair

Supermarket chains which extract bulk discounts from manufacturers are not abusing market power, but can harm consumer choice, the Monopolies Commission is expected to con-Back Page

Cabbie sought

Robbers who took nearly £1m in jewellery from London's Inn on the Park hotel may have got away by taxi, Scotland Yard

Cup confusion

Tottenham Hotspur and Man-chester City fans who queued at the clubs found ticket arrangements for Thursday's FA Cup replay in disarray. Manchester sales start today.

Put asunder Marriage breakdowns cost £1bn a year in benefits and State care for children, says a Conservative

Political Centre study. Page 5 Briefly . . .

Prince Andrew of Russia, nephew of Tsar Nicholas, died in Kent aged 84. Rird-watchers claimed a record

day's sighting of 146 British

French Open golf tournament, again the weakest member,

THE PARTY OF THE P	EM13 ************************************
	The week in the courts:
roblems	Justinian on the increasing irrelevance of blasphemy 10
ooms	Editorial comment: a plea to Bonn and London: local

Lombard: Samuel Brittan

on index-linked pensions 10 Survey; world hanking inset

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BUSINESS

Stock Exchange reform urged

No. 28,466

• STOCK EXCHANGE was urged by senior institutional investment managers to consider appointing representatives of big market users to the exchange's council. Back Page MULTIFIBRE AGREEMENT. dency of the Republic. which regulates world trade in textiles and clothing, faces big changes as the first round of talks on renewing it ended. Page 3

• CHANCELLOR Sir Geoffrey Howe rejected the idea of defend the essential interests of increasing public sector investing our country." ment to spur Britain's recovery from recession. Page 4

Generating Board expects to of the votes cast, according to the first round, against import an average of 5m tonnes the first computer projection, is of coal a year this decade, which expected to best M. Valery cent, has thus appeared to have may bring a clash with the mining industry. Page 5

BELGIAN Government approved the proposed merger of the country's two main steelmakers as part of a rescue plan for the industry. Page 2

O POST OFFICE engineers were offered a 10 per cent pay rise and a further 3 per cent for productivity.

O MERSEY dockers rejected the offer of an £8 per week call a general election for next annual pay rise and will press for a 13 per cent increase, about £15. Page 6

SIEM GROUP, offshore drill-Spain's civil guard shot dead in company and ship operator, three alleged members of the may acquire a 58.8 per cent Basque separatist group ETA, stake in Newcastle shipping tracked down in a seaside resort. negotiations which are at "an advanced stage." Page 14

• REMERANDTS GROUP head EEC Foreign Minister meeting Dr. Anton Rupert is to be quizzed by Rothmans Internasold a big stake in the company by

treaty, chairman Christoph van to Philip Morris of the U.S. BROSTROM SHIPPING of Sweden expects reduced losses Doctors held

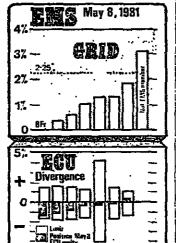
hut losses on its Hoverlloyd government following the caplast year to influence local democracy.

Kenya arrested about 20 doctors

Kenya arrested about 20 doctors

hut losses on its Hoverlloyd government following the caplast year to influence local democracy.

In the local democracy. tinued. Page 18



rates. The upper grid, based on the

• U.S. interest rates' upward | the two sides on Friday. trend was the main factor influencing foreign exchange trading last week. The Swiss National Bank reacted to keep up their rates and hinder-higher U.S. bank prime rates ling an economic upswing, and Eurodollar rates by in- It is also concerned that U.S. creasing its discount and Lombard rates by 1 percentage point to 5 per cent and 6} per responded quite as strongly, although the Bank of France raised its money market intervention rate to 13! per cent from 12! per cent on Tuesday.

The German Bundesbank made no changes to credit policy at last week's central council meeting, despite speculation of a possible rise in the special Lombard rate. The Dspecies.

mark remained at the top of the Sandy Lyle of the UK won the the EMS, with the Belgian franc

BY RHYS DAVID AND RICHARD EVANS

the next general election. in the last Labour Government, comfortably defeated two rivals in the first ballot-Mr. Peter Hildrew, a journalist on The Guardian newspaper, and Mr. Ray Slamon, a printer.

So far 10 MPs, mostly Leftwingers, have survived reselection following the decision at last year's party conference that all MPs must 35 through the process at least once between elections.

Denis Healey rather than Mr.

Mr. Tom Hamnett, chairman of the Gorton party, said after the 2-hour meeting that some The main battles lie ahead, members had been critical of Ray Slamon, a printer.

His victory will be greeted attempt by Mr. Arthur Scargill, wing, but an even greater with relief by moderate Labour the Yorkshire miners' leader, to number felt the other candi-MPs and by Mr. Michael Foot, unseat Mr. Roy Mason at Barns dates tended too far to the Left.

Mitterrand wins presidency West wins

FRANCE VOTES FOR CHANGE SCHMIDT IN TROUBLE

President of France's Fifth

M. Giscard d'Estaing, the outgoing President conceded defeat almost immediately after the two French TV channels and AFP, the French news attency, had given the first computer projections. The defeated President said

in a declaration issued by the Elysée Palace: 'I address my wishes to Francois Mitterrand for his election to the presi-"I think that I did every-

thing that I could to explain to French men and French women the consequences of tehnice. M. Giscard said. will of course continue to

Giscard d'Estaine

Turnout

YOTING FOR FRENCH PRESIDENT

First ballot

28.31 25.84

The third time has proved lucky for the man who, only a

short time ago, was billed as a born loser. In his first attempt to win the Presidential . At the same time, a substanelection in 1965, M. Mitterrand dial number of Gaullist voters was beaten by General de seem to have withheld their sup-Gaulle, after forcing the founder port for M. Giscard. of the Fifth Republic into a second ballot and seven years ago he lost to M. Giseard d'Estaing by only about 420:000 votes.

M. Mitterrand's presidency. however, will be anything but plain sailing. He will begin his rule with a hostile Parliament. the first time that this has happened since the creation of the Fifth Republic in 1958-Only if the General Election which the new President is to call brings a Left-wing majority will the country be able to avoid a

The Socialist candidate, who is estimated to have obtained a little less than 26 per cent of the votes cast, according to port an average of 5m tonnes coal a year this decade which

M. FRANCOIS MITTERRAND Giscard d'Estaing, by nearly picked up not only all the Comwon the French presidential three percentage points.

The third time has proved and will be the first Socialist.

The third time has proved lucky for the man who, only a supporters and the large number of first-round abstentions.

> M. Mitterrand said shortly became known that he would quickly dissolve Parliament, as had promised, and that a General Election would be held

in five weeks' time. The Socialist leader thus hopes to overcome the hurdle of governing with a National Assembly in which the Gaullist RPR and the centrist UDF have an overall majority. M. Mitterrand made it clear during the campaign that he expects his election to create a bandwagon effect and that a General Election held so soon after the Presidential contest would bring back a Left-wing majority.

In the meantime, however, M. Mitterrand intends to appoint a transitional government made up of his own closest supporters. Throughout his campaign the new President left open the controversial problem of ommunist participation in his Government. He has empha-sised on many occasions that this would depend both on the outcome of the forthcoming Election and on whether the Socialists and Communists are successful in agreeon a common programme. M. Mitterrand also made it clear that this was by no means a



The Socialist candidate has his programme is the selective an ambitious economic proinstitutions which are not

Another important aspect of

In Greater London, for

example, it is estimated that the cost of Labour's manifesto commitments, which include

cutting London Transport fares

next year and a further 20p

However, many Tory MPs profess to see the party's local election defeats lost week as a

long-term political gift. They

are convinced that in two years,

probably well before the next

General Election, many left-led

authorities like the GLC will

have become so unpopular with

gramme, which includes the the aim of achieving an average nationalisation of the country's annual growth rate of 3 per cent nine biggest industrial groups. for the years 1981 and 1982. The and all the banks and financial wages of the lowest income wages of the lowest income groups will be raised and the already under State control. M. economy is expected to be Mitterrand has also said that his stimulated by a big public ingovernment would take a stake restment programme. About in the Peugeot-Citroen motor company.

About 210,000 extra jobs will be created in the public sector.

Continued on Back Page

the necessary absolute majority to elect a new mayor of Berlin. It is this possibility which is causing anguish to the Bonn

CDU

coalition. The leadership of the Berlin Liberal Party said before the election it would not enter into an alliance with the Christian Democrats. But the party's strong Right wing in Berlin favours such a link. The Christian Democrat candidate for major. Herr Richard von Weizsäcker, said he will begin talks today with the other parties to form a government. The Free Democrats have formed coalitions with the CDU in other West German states. but a lerch to the right by the FDP in Berlin would come at a time of growing strains between the coalition partners in Bonn. The national leadership of the Liberals under Herr Hans-Dietrich Genscher will do its utmost in the coming days to try to prevent the Right wing of the Berlin FDP joining Mr. Chapple, speaking on the forces with Herr von Weizäcker. Herr Hans-Jochen Vogel, the governing mayor of Berlin, who

> since January when the previous mayor lost a vote of confidence. He said he is prepared to go into opposition. Apart from the Christian Democrats, the other major winner was the Alternative List, a group of environmentalists and Left-wing Social Democrats, who polled 7.9 per cent of the vote, siphoning off I vital support from the SPD.

Ministers review control of rates

BY RICHARD EVANS, LOBBY EDITOR

PROPOSALS to control rate ceilings are under review by Ministers as a means of pegging national directors on why he the higher spending promised Labournewly-elected.

controlled local authorities. Ministers are resigned to be made available. sharply deteriorating relations this year, its annual report said, between central and local

> They are particularly concerned at the likely impact on industry and commerce if. as promised, supplementary rates are levied this year to fund bus and rail fare cuts, council-house building and cheaper school

> Ministers are under pressure from industry to ensure that the rates burden is cut rather than increased. It is argued that many businesses hardpressed by the recession will he threatened with bankruptcy if they have to bear the brunt of supplementary rates.

It is expected that warnings under new legislation these will be issued to local author- authorities would have the ities by Mr. Michael Heseltine, choice of either reducing the by the left-wing Mr Kenneth

Environment Secretary, and Mr. rates of giving back a similar Livingstone as GLC leader.

Norman Fowler, Transport sum to the Government. Many Labour moderates could Secretary, the two Cabinet But Mr. Gerald Kaufman become concerned at the impact members involved, that under no circum- called on the Government to stances will more state funds lay off the newly-elected Labour

The Government has had counties and the Greater ever these do not include cen- over rates is likely to hasten the London Council by left-wing tral control of the rates. It is often-promised reform of the in this nelo that being explored to find a means that no reform will be possible of exerting more effective pres- in the present Parliament but sure.

> Office Under-Secretary, gave an parties to produce alternative ing when he told Scottish Con- next election manifestos. servatives at Perth on Saturday that further action would be taken against over-spending councils.

> He said: "The Government is utterly determined to act against those authorities whose and Labour-controlled local proposed spending is, by any councils. reasonable criterion. excessive and unreasonable. He said that

become concerned at the impact on the electorate of high-cost directly Shadow Environment Secretary, local policies.

councils. In his opinion warnings of action to penalise local wide powers since the end of councillors were an abuse of In the longer term a conflict entire system. Ministers admit

now there could be much Mr. Malcolm Rifkind, Scottish greater pressure for major indication of Government think- schemes to be included in their The rise of the Left in many urban areas could provoke further conflicts in the Labour

> Mr. Michael Foot. Labour leader, is known to be unhappy about the replacement of the moderate Mr. Andrew McIntosh

Party, in addition to creating the prospect of confrontation between the Tory Government-

hard-pressed categovers that an effective warning will have been given to the country about what a left-led Labour Government would be like. Editorial Comment, Page 12

Labour link criticised by Chapple By John Lloyd, Labour Correspo

UNIONS ARE coming under increasing pressure from their members to re-examine their relationship to the Labour Party according to Mr. Frank Chapple, general secretary of by 25 per cent, will add £1 a week to the average rate bill the 440.000-strong Electrical and Plumbing Trades Union.

eve of his union's conference in Blackpool fast night said: "I can envisage a situation where belongs to the SPD, has served we might ballot our members about affiliation to the Labour

Party.' He said that ordinary trade unionists, lifelong supporters of the Labour Party, now felt under threat by the movement to the Left in the party. Mr. Chapple attacked Mr, Tony Bean, one of the two con-

tenders for the deputy leader-Continued on Back Page

U.S. interest rates worry Germany

BY IONATHAN CARR IN BONN

Bonn's worry is not only that U.S. interest rates are high. forcing European constries to

rates have been erratic—and that emerging U.S. policy on foreign exchange market intercent on Friday. No member of vention could make the dollar's the European Monetary System performance more erratic too. These fears are expected to emerge during Friday's meeting at Kronberg, near Frank- from Bonn among others.
furt, between Mr. Donald Regan, The West German G the U.S. Treasury Secretary and Herr Hans Matthoefer, the Bonn

Finance Minister. Mr. Regan will be on his way. via Saudi Arabia, to the meeting of the interim committee of the ment in private economic International Monetary Fund in decision-making. Gabon, a gathering Herr Mat-

the cross rates from which no currency (except the lital may move more than 124 per cent. The lower chart gives each currency's divergence from its "central rate" against the European currencies.

THE WEST GERMAN Governthoese those from responsibility for the from responsibility for the key aspects of U.S. monetary policy is likely to be underlined at a high-level meeting between thosefer cannot attend because from responsibility for the line asked for clarification of its new stand not to intervene at a high-level meeting between in the foreign exchange markets.

THE WEST GERMAN Governthoese thoseful attend because from responsibility for the will be asked for clarification of its new stand not to intervene in the foreign exchange markets.

This concern is related to common the control of the dollar, the will be asked for clarification of its new stand not to intervene in the foreign exchange markets.

The lower chart gives about 10.5. additional transfer of poor health.

The west of European currency is likely to be underlined at a high-level meeting between the control of poor health.

In particular, the U.S. side will be asked for clarification of its new stand not to intervene in the foreign exchange markets.

This concern is related to common the control of poor health.

The west of poor hea

ro influence the price of the German worries about U.S. dollar "except in extreme circumstances." interest rates since their level is one key factor influencing the This was announced by Mr. strength of the dollar. Beryl Sprinkel, Under Secretary Bonn feels that the Bonn feels that the sharp

of the Treasury for Monetary fluctuation of these rates over the past year or so - the so-called "roller-coaster effect"-European business confidence. The fear is that a failure to bring more stability to these rates, combined with implementation of a new Administration policy broadly leaving the level of the dollar to be determined

by the markets, would greatly increase business uncertainty.
The result could be further postponement of the economic upswing, in West Germany and Europe as a whole, and a rise in unemployment beyond But Bonn would deplore any present record levels.

Labour MP survives challenge by left

Affairs, last month. But Bonn is still not sure what it implies.

a return to the neglect (benign

or otherwise) of the dollar in

the first years of the Carter Administration—a policy the

U.S. abandoned under pressure

The West German Govern-

ment is known to have a very

high personal regard for Mr.

Regan, and some sympathy with the U.S. Administration's desire

to cut the influence of Govern-

The fear is that it could mean

THE FIRST serious challenge by party leader, who fears resolectley. At least 20 Labour MPs are left-wingers to a sitting Labour tion of sitting MPs will further considered vulnerable.

MP failed yesterday when Mr inflame party divisions and Kenneth Marks. MP for Manchester, Gorton, survived a bid to replace him as candidate at the party content of the cleation for the labour tion of sitting MPs will further considered vulnerable.

Mr. Marks' relations to result in more recruits for the local party were strain ing the election for the labour tion of sitting MPs will further considered vulnerable.

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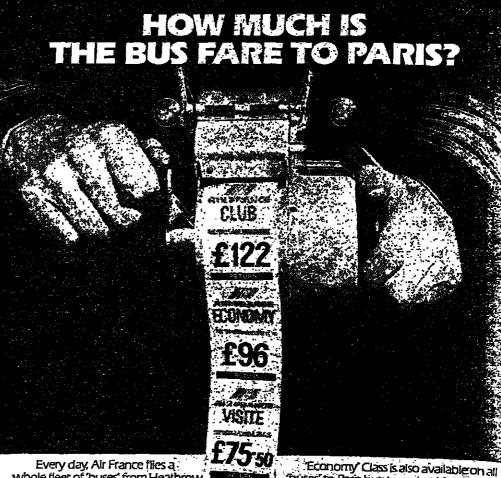
Mr. Marks' relations to results for the local party were strain ing the election for the labour tion of sitting MPs will further considered vulnerable.

Mr. Marks' relations to results for the local party were strain ing the election for the labour tion of sitting MPs will further considered vulnerable.

Mr. Marks' relations to results for the local party were strain ing the election for the labour tion.

Mr. Marks, a junior Minister

Mr. Marks' relations with his local party were strained during the election for the Labour leadership when against party wishes he voted first for Mr. Peter Shore and then for Mr.



whole fleet of 'buses' from Heathrow to Paris (Charles de Gaulle). These are big, roomy Airbuses, giving you a choice of fares and the VACANCES

finest value for money. 'Club' Class is the exclusive way to fly-only 40 seats are available in the spacious front cabin. Free drinks,

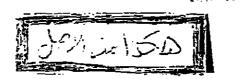
including champagne, and open sandwiches (paté, asparagus etc.) are served en route.

buses to Paris but, to make this low fare viable, there is no in-flight service. The even lower-priced Visite and Vacances' fares are available on specially designated daily flights. Again, there's no in-

flightservice and certain conditions apply to these fares. Please ask your Travel Agent-or call. Air France direct-for full details of

all these value-for-money fares AIR FRANCE ALL

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Anthony McDermott reports on a tour of the Christian enclave of Jounieh

We are not Arabs... we will not surrender?

IN BEIRUT, particularly in the Christian area, when the streets empty, it is sensible to take cover. The Christian Phalangist guiding us through the city had been explaining the future of the semi-independent Christian enclave in the centre of Lebanon and its resistance to Syrian forces.

Only when soldiers manning a checkpoint ahead of us took shelter did we ask the few passers-by whether the 25,000strong Syrian-manned Arab Deterrent Force had started its now-daily bombardment. The answer came with two huge explosions nearby. Fortunately, the camaraderie of East Beirut Christians under the so-called Syrian blitz means strangers will offer shelter to passers-by.

The Sfeir family who sheltered us in this particularly exposed area of East Beirut had two other families with them. The lights were off because a pylon had been knocked out and there were grumbles that as a result they had missed the end of extra time of the British Cup Final.

In the main room, mattresses were laid out for the children. Life is increasingly spent at home and visits to restaurants are confined largely to weekend outings to the seaside town of Jounieh further north. East Beirut and the port of Jounieh have played a crucial role in the defence of the Christian fieldom since the civil



A Syrian soldier checks traffic at a roadblock in divided Beirut.

Lebanon apart, killing over he said. "I decided to move out 35,000 people.

Jounieh has been the funnel for arms, food and medical aid often imported from Israel. The Christian militias have used these to shore up their defences against Lebanon's two other major factions — the Pales-tinians and the Moslems — and, more recently, against the Syrian army.

Mr. Georges Sfeir, a prosperous flower shop owner, has ex-perienced much of Lebanon's misery. "They caused me a trying to put their point of view

war in 1975-76 which tore heart attack some years ago, of this flat with my family and rent a safer house in the mountains to brood on our future. We came back to find the flat looted and wrecked. We started again. But my business, if this shelling continues, will have to

> Would the family leave? His wife was adamant: "We are not Arabs but Lebanese, and we will not surrender as the Syrians want us to do."
> Meanwhile the Syrians were

stop in two months."

chattering of light arms.

while playing in the street. Hospitals and schools are hit.

Saturday's shelling was the heaviest for some time, leaving 21 dead and 98 wounded. A

hit yesterday bear this out, been too badly hit. Beside Beirut, they included. Extremes of pov towns such as Jounieh, Bkirke,

Beharre in the north along the

with deafening bursts of artil- and its militia at 10,000 with lery fire and intermittent another 40,000 able to handle

The most tragic aspect of One effect of the bombardthese assaults is the haphazard ment has been to turn, the nature of the victims. There Christians into a "statelet" of are reports from hospitals of a university student being shot as he stood on a balcony, and a being hit again and how badly. two-year-old child being parato declie whether it is safe to
lysed by another random bullet move on, or more dangerously
while playing in the street try to cross the "green line" dividing the Christian east from the Mosleigi west of Beirut; or to guess at whether friends and family have gone into dangerous

Phalangist soldier perched in a post just behind the Jebel How to they put up with it? Sannin peaks in the centre of For sit it has become routine. Lebanon overlooking the prediction and feat but routine. Strain and feat but routine. Strain and feat but routine. Strain and feat but routine. The Phalangists are condent claimed: The Syrians with their Russian advisers now have such a range of sophisticated conviction of any minority or weaponry that they can shell anywhere in our country. The list of towns and villages the Phalangist economy has not his vectorded bear this out heer too badly but.

Extremes of poverty are not more northern and eastern evident, except in those areas towns such as Jounieh, Bkirke, where people are not sufficient Beit Meri. Others had cars well-off to more away although sign "snat be destroy or buildings damaged. It is not just the rich who have painted on it. The Phalangist Christian en- been taking refuge in the mounclave is in a roughly triangular. Jains. Monasteries and conslice of central Lebanou stretch years have been absorbing their ing from Beirut to Batroun on the coast. The inner and longest side of the triangle falls from the coast road heading for seaside resorts.

peaks of the central mountains. Industry has been depressed Phalangist sources put the since the middle 1970s, but the Christian population at 700,000. Chiffstians still provide more

Steir's flowers to wallpaper, floor coverings and steel.

Up here two soldiers recently died of cold. Soldiers proudly

Belgium backs BELBUT steel-makers' merger plan BY LARRY KLINGER IN BRUSSELS THE BELGIAN Government Mr. Mark Eyskens, the Prim gave its formal support at the Minister, will himself chair weekend to the proposed merger series of meetings at which

dustry.

country.

effects of the economic reces-

sion in the depressed French-

The Government move is

Cockerill and Triangle-and the

outcome will probably be a new group called Cockerill-

financial institutions on their role in the merger, the matter

is likely to be complicated by

than half the Beirut workforce. When open, the port and the airport are able to provide imported goods ranging from Mr.

There is, too, an element of military bravado. Our Phalangist guide took us up winding roads, past a series of villages where sandbagged buildings abounded to the bottom of a ski-lift. It was the quickest method-far quicker than the Phalangist-constructed military roads or two hours by foot-to its end station 2,100 metres up. now a mini-fortuss with ironical sign "snak-bar" (sic) crudely

point out a football-sized hole caused a forthight ago on the side of the ski-lift station by Syrian helicopters rocketing that position — killing six soldiers. But all confidently suggested that they could sustain whatever comes their way.

of the country's two main steel- dozen commissions representing making concerns as part of a the whole range of Belgian bus rescue plan for the steel inness life are to report. Meanwhile, the European Commission has called on Cockerill and the Triangl companies originally announced their merger plans in January but the official Government backing reflects

group to provide details of the scheme, to show that it meet its determination to combat the the modernisation requiremen laid down to justify th BFrs 8.5bn (£198m) EEC cred speaking southern part of the committed to the programme

EEC involvement followed the likely to speed up discussions between the steel producers— Willy Claes, the Belgian Econe mic Affairs Minister, that would have cut production by 20 pe cent to about Sm tonnes a year and have pruned 3,000-4,00 Sambre in which the state will have an 80 per cent holding.

While talks began at the weekend with bankers and

It was foreseen that BFr. 44bn would be raised to re structure the industry. Of the the EEC was to match BFrs 11bn Belgian state inves broader political questions.

Help for the steel industry will be one of the topics discussed by the constitution of the constitution of the private sector.

cussed by the governing coali-tion of Christian Democrats and Until now, the financial institutions have been reluctant to provide the money, largely be Socialists who meet today and cause there was no firm com/ the regional bodies represent-ing the Flemish and Walloonthe loss-making industry.

U.S. trust curbs may be eased

ANOTHER HINT that the Reagan Administration may be encouraging an easing of U.S. anti-trust law was given yesterday when the Federal Trade Commission said it would probably be acceptable for members of the same trade union to sit on the boards of competing com-

The ruling was made at the request of the United Autoworkers Union, which is already represented on the Chrysler board by Mr Douglas Fraser, the union president.

American Motors, the small U.S. company controlled by Renault of France: has offered the UAW board representation so long as this does not violate anti-trust law.

The commission's statement, which has the formal status of an advisory opinion, conflicts, however, with a statement earlier this year from the outgoing head of the anti-trust division of the Justice Department. That official was a Carter appointee, however, and there have been a number of signs that Reagan appointees will take a more flexible line in interpreting the complex body of monopoly law in the U.S.

The UAW is at the forefront of the labour movement in seeking worker involvement on com-

pany boards.

The issue raises anti-trust questions because of the fear that union members would be able to confer. for example, about pricing decisions in rival

Share Capital

Retained Profit

Deposits

Total Assets

Loans

Subordinated Loans

Profit before Taxation

Profitation Taxation

(£equivalent)

Zimbabwe 'ready to resist S. Africa raids'

BY OUR SALISBURY CORRESPONDENT

South Africa was signalled at the weekend when Mr. Richard Hove, Zimbabwe's Home Affairs Minister, warned that his country would defend itself "with the utmost vigour and determination" if Pretoria launched cross-border raids.

threat by Mr. Louis Le Grange, estimated South Africa's Police Minister, there were any guerrilla camps or even a political office of the Mozambique.

ANC" in Zimbabwe.

It was not

A FURTHER deterioration in news conference at the weekrelations between Zimbabwe and end that South Africa was "determined to destabilise African Governments in the subcontinent.

Ever since Zimbabwe's independence 13 months ago, Zimbabwe's Mr. Hove added, South Africa had been planning "aggressive action." He repeated the charge Mr. Hove, responding to a that Pretoria was training an hreat by Mr. Louis Le Grange, estimated 5,000 black Zimbabweans "to carry out that South Africa would "hit terrorist attacks in the counback hard" at Zimbabwe if it try," just as it was supporting harboured African National the UNITA forces in Angola, Congress guerrillas, denied that and Mozambique resistance movement guerrillas within

It was not Zimbabwe's policy He disclosed that Mr. Robert to allow guerrilla bases on its Mugabe, Zimbabwe's Prime territory, but the country would Minister, had written to Presinot turn away refugees from dent Ronald Reagan of the U.S. the Pretoria regime. Zimbabwe dent Ronald Reagan of the U.S. the Pretoria regime. Companies Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complaining about South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. Mugade leaves complained at a South had a "moral and humani- Mr. Le Grange's attack and Mr. M Mr. Hove claimed at a Salisbury for refugees fleeing from the



" inhuman " 'apartheid regime,

which relations between the two countries worsened visibly with Mr. Enos Nkala, Zimbabwe Finance Minister, warning that Zimbabwe might review South African investments there, if South Africa "continued to threaten economic confron-

Mr. Nkala was referring to South Africa's decision to ter-minate the 16-year-old trade agreement from next year. Mr. week as threatening not to repay loans raised by former Rhodesian Governments to finance the guerrilla war.

This was taken as a possible reference to a Zimbabwe policy review of the £173m owed to South Africa for loans, raised by the Smith and Muzorewa Governments in 1978-79.

S. Korea to buy 'failed' Peace mission in Tehran

TEHRAN — A non-aligned Tehran "to study the aggres-peace mission yesterday put sion" of Iraq's President peace mission yesterday put forward ways to end the seven-month-old. Gulf war and the Iranian Foreign Ministry described suggestions as "encouraging and worth considering." Details of the proposals were

At the same time, Iran's state radio said in a com-mentary that Iran should not negotiate with Iraq and Mr. Behzad Nabayi, chief Government spokesman, said at a Press conference that the visiting mission was in

Associated Japanese Bank

(International) Limited

Extract from Audited Accounts

27th Feb. 1981

10,000

7.435

10,317

497,805

295,479

544,340

4,139

1,914

not disclosed.

Saddam Hussein.

The mission, comprising the Foreign Ministers of Cuba, India and Zambia and the chief foreign affairs expert of the Palestine Liberation Organisation, had a 90-minute meeting with President Abolhassan Bani-Sadr of Iran soon after arriving from New Delhi.

Mr. Bani-Sadr is expected to take up the missions proposals at the next meeting of the Supreme Defence Coun-

29th Feb. 1980

£000

10,000

6,521

10,010

425,555

235,755

465,401

3,454

1,475

armoured vehicles

SOUTH KOREAN armed forces General Accounting Office. are trying to make a successful weapon from an armoured vehicle which the U.S. Army had written off as a \$1bn failure. Reports from Seoul say the South Koreans are confident of being able to remodel the vehicle, in which case they will buy the 1,000 remaining at the bargain price of \$10,000 (£4,725) each.

The vehicle in question is the M551 Sheridan tracked carrier vehicles which is built like a tank. Two removed. Sheridans have already arrived in South Korea for local army

engineers to work on. The Sheridan began to be getting F16 fighters from the phased out of U.S. use a few U.S. Agreement has been years ago after \$1.2bn had been reached in principle for the spent and much criticism of its purchase of 36 of the aircraft

According to specialists in Seoul there were persistent problems with the gun system and turret and with the electrical systems. "It was too close to the front edge of

technology," said one. The Sheridan was designed for a 152mm gun and also as a missile launcher, but the South Koreans will be buying the vehicles with the gun system

Meanwhile, Seoul military sources have confirmed that South Korea is a step nearer performance, including harsh at a cost of about \$900m, comments from the House of though it will probably be Representatives Armed Services another four years before the sub-Committee and from the first are delivered

Kenya arrests striking doctors

BY JOHN WORRALL IN NAIROBI SOME 20 doctors have been

SOME 20 doctors have been The doctors are striking over arrested in Kenya after taking a ruling that Government docpart in a strike by Government doctors. At least 10 hospital doctors. At least 10 mospinal patients are reported to have an offer of up to 200 a mount died over the weekend and in compensation. Many hospitals are being run by staffs of menale have been are being run by staffs of murses, emergency wards. Many of the doctors returned sultants.

to work after an ultimatum on severe disciplinary action.

tors may no longer engage in private practice. They rejected an offer of up to £30 a month clinical officers and nurses, aided by a few expatriate con-

Mr. Magugu, said the strike Friday from the Minister of was in contravention of the Health, Mr. Arthur Magugu. Trades Disputes Act. Doctors He said doctors who failed to were considered essential return to work would face services and their action was contrary to professional conduct.



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best of its kind" (Sydney Morning Herald).

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Three 'ETA members' die in clash

By Robert Graham in Madrid

THREE ALLEGED members of ETA, the militant Basque separatist organisation, were killed in a clash with the paramilitary Guardia Civil near the southern Spanish town of Almeria yesterday.

The circumstances of the clash were obscure and last night, only one of the Spanish national news agencies had identified those killed as members of ETA.

Europa Press said that the three had been picked up by the Guardia Civil in a seaside resort near Almeria. They were being transferred to Madrid for interrogation, when, the news agency said, the jeep in which they were travelling appeared to stop and shots were heard.

A statement from the Guardia Civil merely said that three persons had been killed in a clash. If the three dead are indeed members of ETA. this is the biggest single toll of their number in a shooting incident with security forces. Normally, ETA avoids such shootouts. Further, it is un-

usual for this organisation to be found in southern Spain. The shooting incident fol-lowed a week in which seven members of the armed forces and police were killed by

terrorists. On Thursday, ETA claimed responsibility for one of these attacks in Madrid in which three members of the King's Military Household were killed, and Gen. Joaquim Valenzuela, the Household's head, was seriously wounded. The recently-formed antiterrorist command, which in-

cludes members of the armed forces, announced the capture of three persons alleged to be responsible for the killing in Madrid last Monday of Gen. Andres Genzalez de Suso and a policeman. This killing was. claimed by the terrorist organisation GRAPO.

The anti-terrorist command said that those arrested were all identified members of GRAPO.

EEC Foreign Ministers moving closer on defence BY JOHN WYLES IN VENLO

DESPITE AN official denial that the European Community is about to develop a common defence policy, decisions taken at a weekend meeting of EEC Foreign Ministers at Venlo in the Netherlands could, in the long term, have an impact on the Community's relations with the U.S. inside the North Atlantic Treaty Organisation. They could also affect the development of future arms control talks with the Soviet Union.

The move stems from a growcohesion in foreign policy will be incomplete unless they include the political aspects of security questions.

Informal discussion produced substantial agreement on a number of issues, including the need to maintain pressure on remains opposed. Nevertheless the Turkish military Governit was agreed in Venlo that ment to bring about an early Foreign Office officials from the restoration of democracy and 10 were to examine this and to continue efforts to secure other possible improvements, as more progress from the Madrid well as the desirability of creatsecurity.

assured the Ministers that the co-operation.

Commission would produce its proposals for restructuring the EEC's budget by mid-June. Mr. Christoph van de Klaauw the Dutch Foreign Minister, who presided over the meeting. denied that the 10 were about to develop a common defence policy. The neutrality of Ireland precluded that, he said yesterday, and he remained deliberately vague about which security matters might find

their way on to future EEC agendas. These remained to be defined ing sense that efforts at greater after officials had studied the matter and produced recommendations, Klaauw said. Mr. van der

Most member states are in favour of creating a small secretariat to underpin their foreign policy work, but France curity.

a comprehensive joint declara-M. Gaston Thorn, president of tion, setting out the principles the European Commission, and objectives of political

Mexico oil step-up plan

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO, the world's fourth- feeling that the country's oil largest oil producer, will con- expansionists are winning the tique to increase production politically-sensitive debate over after it reaches its 2.75m whether to hold production barrels-a-day "platform" later in the year, so releasing more non-Organisation of Oil Exporting Countries oil for the intermited that Mexico countries oil for the intermational market national market.

Last week a Mexican newspaper published parts of a document said to be an internal document of the state oil Since the 2.75m b/d platform was established in March last Mexico will be producing 2.9m year, Mexico's oil has come on stream of the state of the b/d in the second six months of this year, half of it for export. Current production is about 2.6m b/d. Pemex has neither confirmed nor denied the docu-ment's existence. The document supports the

year, Mexico's oil has come on stream far sooner than

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates \$365.00 per ennute Second Class postage paid at New York, N.Y., and at additional melker centres.

produce between 5.5m b/d and 7m b/d by 1990. But it

recommended a more conserva-

The Annual General Meeting of shareholders of Aga Aktiebolag will be held at the Head Office of the Company at Lidingoe, Sweden, on May 25, 1981, at 5 p.m.

NOTICE OF ATTENDANCE AND PROXY

In order to be admitted to the General Meeting a shareholder must be listed as such in the share register kept by Vaerdepapperscentralen VPC AB not later than May 15, 1981 and have given notice of his attendance in writing to Aga AB, S-181 81 Lidingoe, Sweden, or by calling (46)-87311150 not later than 10 a.m. (Stockholm time) May 22, 1981. Shareholders who have entered their shares on the VPC register in the name

of a nominee (Foervaltare) must temporarily arrange to have their own name entered in the register not later than May 15, 1981 in order to be admitted to the general meeting.

Any shareholder may attend and vote at the General Meeting through a

representative in possession of a written and dated proxy issued not more than one year prior to the general meeting.

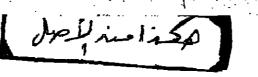
At the General Meeting matters prescribed by law and by the by-laws will be dealt with, including I.A. presentation of the Annual Report and the Auditors' report for both the Company and the Aga Group, adoption of the profit and loss statement and the balance sheet of the Company and adoption of the consolidated profit and loss statement and the consolidated balance sheet of the Aga Group, appropriation of the Company's profit according to the adopted balance sheet, the directors' and the managing directors' discharge from liability and election of the auditors, directors and deputy directors, if any,

The directors have proposed that May 27, 1981 be the record date by which shareholders of the Company must be registered in the share register in order to participate in the dividend. Assuming that the General Meeting will resolve, in accordance with this proposal the dividend is expected to be dispatched from VPC on June 4, 1981 Lidingoe, May 1981

The Board of Directors

DIVIDENDS

The The Sanwa Nomura. Securities: Bank Limited Ca.Ltd. The Dai-Ichi Kangyo Mitsui Bank Bank Limited Limited An International Consortium Bank (Shareholders' aggregate assets well exceeding U.S. \$216 billion) Associated Japanese Bank (International) Limited 29-30 Cornhill, London EC3V 3QA Tel: 01-623 5661. Telex: 883661



E. Germany

to buy

By Our World Trade Staff

THE JAPANESE car industry

has concluded its first major

deal with an East European

country. Toyo Kogyo, the

manufacturer of Mazda cars

and trucks is to provide East

Germany with 10,000 vehicles in a \$40m (£19m) deal.

Toyota, which was one of the

groups expected to provide the cars when the contract

was foreshadowed at the beginning of the month.

cars and spares will start next month and be spread over eight months. The con-tract will be signed in Tokyo

by Transport Maschinen Export-Import before an official visit by Herr Erich Honecker, the East German

leader, later in the month.

to Japan for cars because of a half in the export of Soviet

cars. The USSR was to have

sold East Germany 30,000 Ladas this year but the deal

was cancelled because of the

East German trade deficit

East Germany has turned

Shipments of the hatchback

Toyo Kogyo underbid

Vastly-changed MFA seen as first-round talks end

BY BRIJ KHINDARIA IN GENEVA

ticipants were certain that a new accord is feasible.

substantive session of talks to Community's decision taking renew the Multifibres Arrange council of ministers meets in ment (MFA) sponsored by the Brussels on June 22 to discuss General Agreement of Tariffs suggestions by the executive and Trade (Gatt). The two-day commission, but differences talks were held in GATT'S among EEC member countries Textiles Committee.

None of the countries felt the July talks in Geneva.

that MFA should be re- With the exception of West that that MFA should be renewed without substantial changes. They agreed to meet again starting July 13.

Renewal may be possible if while developing countries a "reasonable departures" think they are far too clause included in the current protectionist. MFA is removed. That clause allows an importer country to sals on the table so far, but temporarily cut back imports future EEC policy towards MFA when it deems it "reasonable" would be based on the following to protect the interests of five elements:domestic producers.

The U.S. suggestion is that reached by textile and clothing clearer definition of conditions imports into the Community; on the applicability of protec-

NEGOTIATIONS for a new tive measures and more pre- from low cost nations; international agreement to cision on the scope of bilateral regulate world trade in textiles agreements between countries and clothing began here last under the MFA framework week in a conciliatory atmos- would help to alleviate dissatisphere, but none of the main par- faction with the current MFA.

The biggest imponderable in the negotiations so far is the Some 25 countries made position which the Common policy statements at the first Market will take in July. The may not be resolved in time for

> Germany most other EEC members think the Commission's suggestions are too liberal

There are no specific propowould be based on the following

• The overall level already The total size of imports damage world economic growth.

The share of market in particular produce categories held by individual supplier coun-

The expected growth in domestic consumption levels;

• The degree of access to EEC markets already achieved by the more advanced developing countries such as Hong Kong, South Korea, Taiwan, Singapore, Brazil and India. Each element on that list is disputed by developing coun-

and,

Brazil, for example, argued that no country could be denied the right to sell textiles and clothing in the Community under the MFA simply because the overall level of imports being too high by the Commis

All developing country mem bers of the MFA said further restrictions on textile and clothing trade would reduce the Third World's ability to buy EEC products, including tex machinery, and would

with the USSR. The cars deal with Japan may be the forerunner of major project contracts. It is believed in both East Berlin and Tokyo that Herr Honecker will sign, during his visit to Tokyo, a series of orders for plant and equipment to speed East German industrial development.

Latin America boost for Midlands trade

By Lome Barling TRADE LINKS Britain and Latin America are now improving, after a period of stagnation, and exporters should pay more attention to the opportunities there, the Birmingham Chamber of Commerce urged.

It said that lines of communication with Latin America had been greatly improved by recent British ministerial visits including one by Lord Carrington, the Foreign Secretary, and by Prince Charles's visit to

The Chamber has stepped up its concentration on Latin America with a record number of missions there planned for this year, it said.

Britain has small share in Nigeria's new city, Mark Webster reports Many contracts still to be awarded

put it.

Mazda cars but British contractors have only won a tiny portion of the work, a conference in London was told last week.

Mr. John Napleton, project director of the Milton Keynes Development Corporation said his corporation had won a is a cosmopolitan city, the major consultancy contract for workforce is predominantly one of the residential areas of from the western Yoruba group, the new city and a team had been working on the project for the past two years.

ised by the Nigerian-British Chamber of Commerce that the only British contractor involved the project was Taylor Woodrow which has a small contract for some infrastruc-tural work on one of the satellite towns around Abuja.

The Five-Year Development

Plan for 1981-85 allocates £1.9bn

MORE THAN £800m worth of crowded because it is the contracts have already been country's legislative, adminisawarded for the development of trative and business centre. In Nigeria's new capital at Abuja, addition, its geographical location on the coast makes it "like trying to govern England from Lands End," as Mr. Napleton

> A further incentive for the present government to move from Lagos is that although it while the government has its roots in the north.

Abuia was selected because He told a conference organ- it is centrally located, has a more pleasant climate than Lagos and presents an attrac-The entire phase one area of the site has been surveyed,

construction vehicles, the trunk opened to normal traffic and contracts have been awarded for work on Abuja which has for a major dam to provide become one of the top priorities water for the international airport, a 500-bed hotel and the has become over- surrounding satellite towns.

- Kaduna NIGERIA • Abuja Φ LAGOS

The bulk of the construction work is being done by European companies such as Julius Berger, Dumez and Strabag. many other contracts remain to be awarded.

The biggest outstanding contract is for the sophisticated telecommunications which will link Abuja to the in Nigeria.

world through Kaduna, A numher of contracts have also to be awarded for the central area which includes the parliamentary complex, a large commercial area and the administrative buildings.

In addition, contracts will be awarded for expressways. sewage system, a sewage treatment plant, schools and a further 12,000 to 15,000 dwell-

Under the present plans, the government hopes to start moving people to Abuja by 1982-83, eventually transferring the entire bureaueracy. The city is expected to have a population of some 1.6m people rising progressively to more than

Mr. Fred Roche, deputy chairman and managing director of Conran Roche, told the conference that Nigeria wanted the project to move fast and companies were under "immense pressure" to produce some thing before the 1983 elections

SHIPPING REPORT

'Combi-carrier' orders rise

BY WILLIAM HALL, SHIPPING CORRESPONDENT

capacity now under construc- Panama Canal almost fully tion, is making a number of laden with, for example, coal shipping companies nervous for Japan, and return with about their commitment to the Indonesian oil. dry bulk carrier market.

Given the recession in the large tanker market, there is no scope for diversification in this direction. However, a number of owners believe that they can hedge their risks by building smaller combination carries ("Combis") which can carry. either oil or dry bulk.

In its latest issue, Lloyd's us Shipping Economist notes that certain sizes of "Combi" have 'much brighter future" than has been realised. The order book for "Combis" of up to 80.000 dwt has risen by three- Net quarters to 2.75m dwt over the " Japan

Most of the vessels are in the

THE COMBINATION of softer 70,000 dwt-80,000 dwt range. As many ports in the world freight rates in the dry bulk. The advantage of this size of are unable to take ships of over trade, plus the sizeable extra ship is that it can transit the 80,000 dwt, the ships are con-

siderably more flexible than larger vessels, especially since they can carry coal as well as

4.2 1975=100

World Economic Indicators

RETAIL PRICES

- : <u>-</u> : ·		C			hange over		
	Mar. '81	Feb. '81	jan:*81	Mar. 180	year %	index base year	
K.	210.7	207.6	205.7	187.1	12.6	1975=100	l
SA	1643	163.2	161.6	148.7	10.5	1975=100	l
/ German	y 127.2	126.4	125.4	120.5	5.6	1975=100	l
алсе	178.3	176.5	174.9	158.4	12-6	1975=100	l
aly	244.0	240.4	236.0	202.5	20.5	1975=100	ŀ
elgium .	144.0	143.1	141.8	133.8	. 7.6	1975=100	ı
atherlands	- 141.2	139.9	139.1	132.5	6.6	1975=100	l

141.3

133.9

Source (except Japan): Eurostat

141.4

142.2

UK co-ordination pays off in Egypt

BY AL'AN MACKIE IN CAIRO AND PAUL CHEESERIGHT IN LON DON

is giving top priority to the backed by the Export Credits Greater Cairo Wastewater Pro- Guarantee Department. ject and has earmarked E£1.35bn (£900m) to cover the local currency costs. Such a commitment is not surprising.

ECGD cover did not in fact go in until October, 1980. But in the two years before that Untreated sewage in the city, the biggest in Africa, already poses a major health hazard.

The international response to the problem of providing a new sewage system for Cairo was a major companies to win large commitment by the U.S. and the UK to provide aid funds for the project—£50m from the UK and \$100m from the U.S. The British commitment was made at a meeting of aid donors te Egypt in 1978.

The finance, though, was tied the UK, and it was assumed that. Beatty Arab aid funds would also be section of British skills in the forthcoming. That assumption by the wayside with the the Israeli question.

This breach led inexorably to the provision of British export credits, the final agreements for British industry.

which were signed last week—

This established, it had to Such practice may be about 780,000 barrels of oil a £100m organised by Midland convince the authorities in extended. In reaction to water day.

THE EGYPTIAN Government Bank and Samuel Montagu and Cairo to provide local funds. At

The formal application for formal application there were moves in British industry which may in the future be seen as support from ECGD. a textbook example of the way to combine the resources of capital project contracts. The vehicle for the Cairo

project was British Wastewater, a consortium established other project works. not to do the work but to coordinate the marketing effort. This consortium embraces Ames Crosta Babcock, GEC Electrical from the outset to the procure- Projects, Midland Bank, Edment of goods and services in mund Nuttall and Balfour Construction—a crosswaste water treatment sector.

British Wastewater had two political breach between Egypt major problems. First it had to and other Arab countries over convince the Egyptian authoriconvince the Egyptian authorities that the project—or at least the east bank of the Nile part of it-could be undertaken by

the same time it had to present the project to the UK Government in such a way that it order to release the aid funds, joint approaches to winning and harness the export credit contracts abroad,

In practical terms this worked out in a split financial approach. ODA funds are being spent on form the backbone of the new sewerage system. The export credits will be spent on the

These include pumping works and treatment stations and the varied equipment which goes with them. The contracts for the plant and material should start coming through in the summer. The British Wastewater com-

tracts, but they have given informal assurances that they around the UK, so that the bene- where Caltex, jointly owned by fits of bringing in the major

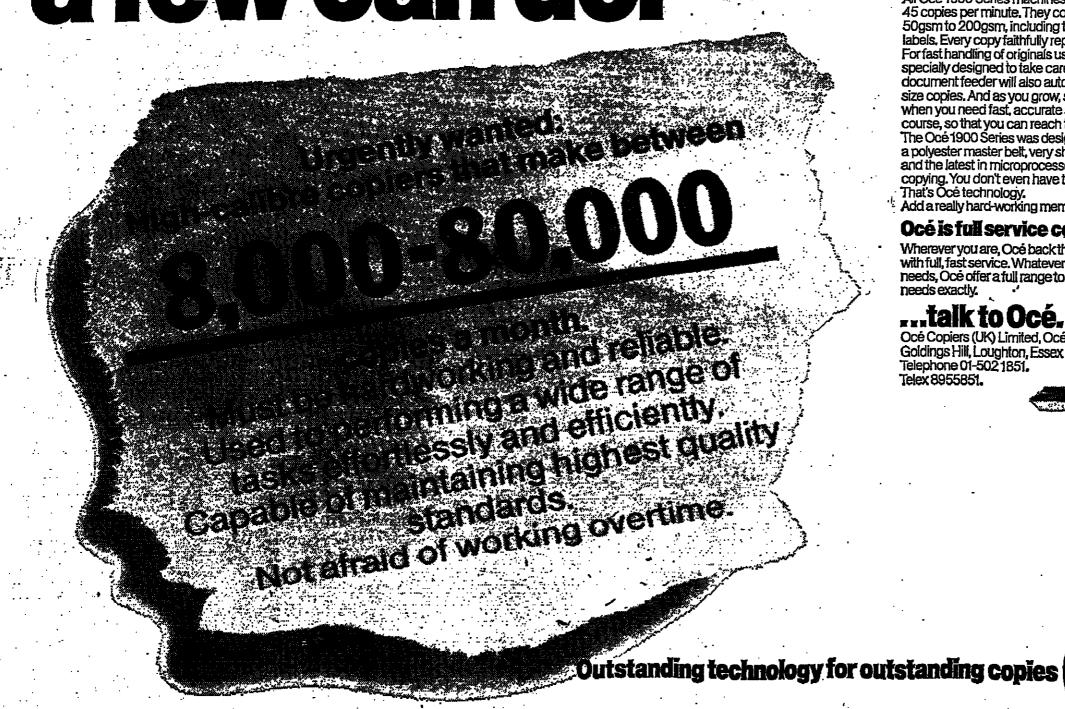
Wastewater is bidding for major contracts in Uruguay and Ethiopia, Indeed, the water would meet the developmental industry as a whole has formed criteria of the Overseas the British Water Industries. Development Administration, in Group to co-ordinate at homeindustry as a whole has formed

Pertamina oil contract

TEXACO and Standard Oil of California, the number three and number four ranking U.S. oil companies, said that subsidiaries of the two companies had won ne wproduction-sharing contracts from Pertomina, the Indonesian state-owned oil group, to explore for oil in the so-called Langsa block off northeastern Sumatra, Paul Betts writes from New York.

This block, covering about panies would clearly expect to 1.74m acres, is a new explorawin at least some of these con- tion area near the entrance of about 300 miles northwest of will seek to spread the work the central Sumatran area Texaco and Standard Califor-

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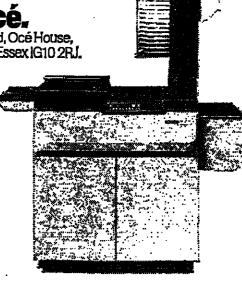
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lead in petrol from 0.4 grams

whether petrol should be made

Ministers rejected the idea.

The EEC maximum limit is

gpl.
The UK Government is lead in petrol from 0.4 grams per litre (gpl) to 0.15 gpl. The move will cost the oil industry about £400m. It will add about 5p to the price of a gallon of petrol.

The decision to reduce the lead operol.

The UK Government is The main reason for the is us companies they must comply trade, and opposition from the European Economic Community might be met if it outlawed level follows arguments over leaded petrol.

Ministers rejected the idea. gpl.

The UK Government is The main reason for the is us companies they must comply about the effects of lead on said. It is petrol industry pound children.

The decision to reduce the leaded petrol.

The ukl Government is The ukl Government is The main reason for the is us companies they must comply about the effects of lead on said. It is the petrol industry pound children.

The ukl Government is The main reason for the is us companies they must comply about the effects of lead on said. It is the petrol industry pound children.

The ukl Government is The main reason for the is us companies they must comply about the effects of lead on said. It is the petrol industry pound children.

The ukl Government is The main reason for the is us companies they must comply about the effects of lead on said. It is used to the petrol industry pound children.

The ukl Government is The main reason for the is us to the should be about the effects of lead on said. It is used to the petrol is used to the pet Oil-industry experts say the

THE GOVERNMENT is together as much as £1.6bn and only in January this year, engines running erratically, human body, expected to announce today such a staggering cost is Previously the maximum But they say a total ban would "In the vast majority of the plans to cut the legal limit on evidently a main reason permitted level had been 0.45 have meant major design population airborne lead, inchanges to engines.

However, the Lawther com-mittee on lead and health, set more serious problem. up under the Department of cut will reduce octane ratings Health and Social Security, refrom about 97 to 94: Some ported last year that airborne to prevent cuts in the lead limit

"In the vast majority of the

cluding that derived from petrol is usually a minor contributor to the body burden," the report

It suggested lead which found its way into water after run-

There was speculation that

Decision still to be made on jump-jet procurement

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

on whether to buy the U.S. Mc-

decisions that are now being studied by the MoD as part about one-third of the airframes for the U.S. Marine Corps spending now in progress.

There is a widespread belief. There is a widespread belief. Pegasus engines.

THE MINISTRY of Defence the UK, that the British will stressed over the weekend that decide in favour of the AV-SB. on whether to buy the U.S. Mc- the U.S. version would be Donnell Douglas AV-8B cheaper than developing the Advanced Harrier jump-jet Mark 5, and partly because the fighter for the RAF, rather than UK would also get substantial develop a UK version, the Mark additional work on the AV-8B. It would not only build all The Harrier purchase is one the airframes and engines of several major procurement needed for the RAF (between 60 and 100 aircraft), but also

FT reporter shares senior Wincott award

Financial Times Reporter MR. PETER RIDDELL, Economics Correspondent of the Financial Times, shared the senior Wincott award for economic and financial journalism with Mr. Ian Richardson, City Editor of the

Birmingham Post. The award for the leading financial journalist in the provincial press went to Mr. Patrick Weever, also of the Birmingham Post. Mr. Christopher Huhne of

The Guardian won the prize for the leading financial journalist under 28.

entirely lead-free in the UK. 0.4 gpl. West Germany and cut will reduce octane ratings. Health and Social Security, respectively lead-free in the UK. 0.4 gpl. West Germany and cut will reduce octane ratings. Health and Social Security, respectively to prevent cuts in the lead limit total ban would have cost the allowed to 0.15 gpl. The 0.4 claim this means motorists lead was not a major contributor on petrol because of the cost to oil and automotive industries limit was introduced in the UK. Chancellor rejects idea of

increased public spending

SIR GEOFFREY HOWE, the constant battle with the Trea-Chancellor of the Exchequer, sury over cash limits. yesterday rejected the idea of increasing public-sector investment to spur Britain's recovery investment priorities among the

Sir Geoffrey said the best way to revitalise the economy was increase in the share of Governto bring down inflation. Interviewed on ITV's Weekend World programme, the Chancellor did not rule out spending by profitable nation-

The Government was under taking a regular review of nationalised industries. Sir Geoffrey hoped for an

ment spending on capital investment as opposed to current Mr. Brian Walden, the inter-

allowing further increases in viewer, urged the Chancellor to consider an increase of around alised industries such as British £1.5bn a year in spending on Telecom, which has been in a infrastructure projects.

£4.7m alloy rings plant in S. Wales

By Robin Reeves,

A \$4.7m expansion of the Inco (International Nickel) Daniel Doncaster Forgings subsidiary at Blaenavon, South Wales, was officially opened by Mr. George Thomas, the Speaker of the House of Commons.

The new facilities enable Doncaster's Blaenavon plant to meet the demands of aero-space and other high technology industries for rolled, profiled and sized metal alloy rings.

Materials are produced in

nickel-base, copper, titanium and aluminium alloys as well as stainless and heat-resisting steels.

The company aiready supplies the whole of the UK aero-engine industry and many European aero-manufacturers with ring forgings, as well as customers even further afield.

The expansion, which was carried out with the help of the Welsh Development Agency and the European Coal and Steel Community, has produced what Mr. Colin Davies, the company's man-aging director, described as a quantum leap in capacity.

New Nigg Bay plan from 'gang of four'

A PROPOSAL to stop all medium-term petrochemical and gas plant development at Nigg Bay on Scotland's Cromarty Firth has been submitted to the organising committee of the £2.7bn North Sea project.
The proposal comes from
Shell Chemicals UK, BP

Chemicals, Esso Chemical and Imperial Chemical Industries, the so-called gang of four. They claim their plan would

of the gas gathering project, which has already run into severe delays over finance. Some experts believe the proposal is simply an attempt by the four to prevent competitors obtaining access to North Sea gas liquids for making petro-

The original scheme was for all the gases from the North Sea pipeline to be landed at St. Fergus where they would be separated into components. The British Gas Corporation would then take the natural methane gas—used to power factories and run central heating systems. Some of the gas liquids remaining would piped to Nigg Bay where they

would be further processed in cut £300m from the initial cost a fractionation plant.
of the gas gathering project.
which has already run into Dow and UK-based Highland Hydrocarbons — have put for-ward rival plans for building petrochemical plants at Nigg using the gases as raw materials. But the four have always wanted gas liquids to go south for use in their own plants.

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Contractors' survey says civil engineering industry still declining

BRITAIN'S civil engineering their order books were worse as earth movers prepare sites relatively minor construction public sector fell from 59 to 55.7 industry is still declining than six months ago. 24 per for summer construction.

The Economic Development works, roads and sewerage: last year, against a base of 100 according to a workload survey cent said they were the same by the Federation of Civil and 19 per cent saw an improve-Engineering Contractors pub- ment.

say in the running of the

industry's showcase exhibitions

following mounting dissatisfaction over the duplication of

major continental shows.

venues and the inconvenient timing of events in relation to

The main UK show - the

London Fashion Exhibition -

hotels during the same week.

ing industry recently established the purse strings."

Three months ago the figures a task force to identify urgent Mr. Stephen Millward, secre-

lem this autumn will be com-

Another exhibition, the Lon- pounded because a number of number of manufacturers by

Garment trade seeks bigger say in organising fashion shows

Mr. Derek Gailter, directorgeneral of the FCEC, said: "The
country cannot afford to let the
country cannot afford to let the
dramatic decline in civil
engineering continue without
the risk of losing the industry
altogether."

Mr. Gaulter said the results to allow a modest increase in
public capital spending.

Preliminary indications are
leased last October or January."
But this is cold comfort for a
about 10,000 jobs.

Preliminary indications are
leased last October or January."
But this is cold comfort for a
about 10,000 jobs.

Mr. Gaulter said the results to allow a modest increase in
yor the receration, said that
the latest public non-housing
the latest public non-housing
of dramatic increase," would be
static without the orders for
National Federation of Building
that the
stations. The FCEC index of
latest building craft apprentice
stations. The FCEC index of
latest building craft apprentice
of 234 contractors responding.

Mr. Gaulter said the task force
about 10,000 jobs.

Mr. Gaulter said the task force
about 10,000 jobs.

Mr. Gaulter said the task force
about 10,000 jobs.

Mr. Gaulter said the task force
about 10,000 jobs.

Mr. Gaulter said the precise of the latest public non-housing
the latest public non-h to the survey, 57 per cent said orders to move up in the spring was concentrating basically on for civil engineering in the

organised at the request of a

orders at current prices excludes the £180m Torness order and Mr. Derek Gaulter, director- were 64 per cent, 22 per cent projects, which could be started tary of the federation, said that M25 contracts placed in Sep-

BUSINESSMAN'S DIARY.

UK TRADE FAIRS AND EXHIBITIONS

Current British Craft Trade Fair (0282 867153) (until European Liquefied Petroleum Gas Congress and Exhibition (01-894 1041)

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Bloomsbury Centre Htl., WC1

Ingliston, Edinburgh NEC, Burningham

Royal Festival Hall

Earls Court Olympia Royal Hospital

OVERSEAS TRADE FAIRS AND

May 14-17 International Antiques Fair (01-540 1101) May 19-22 International Antiques Fair (07-20 101)

May 19-22 International Energy Management Exhibition and Congress—ENERGY (0727 63213)

May 20-22 Videotex 31 (09274 23211)

May 21-26 National Textile Industry Fair—FENIT (01-408 2104) International Accessory, Machinery and Materials Fair for Furniture Production, Interior Decorating and Furnishing — INTERZUM

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International Mining Exhibition and Congress Düsseldorf 11.-17. 6. 1981



Tunnel Construction Con-Düsseldorf 11.-13. 6. 1981 On the occasion of the



International Conference for Ocean Mining Düsseldorf 15. 6. 1981 in combination with the

BRITAIN'S fashion trade manuis organised twice yearly by don Fashion Event, is held at designers will be showing their Draper's Record, the trade facturers are to seek a bigger Philbeach Events, a subsidiary about the same time, but at collections after the Milan paper, and attended by about Fashion Show in early October 200 industry representatives, and before the Paris shows passed a resolution last week a number of exhibitors, including many top design names, have stayed away from this event and held their own independent shows in London hotels during the same week pared to come from overseas for both series of events, and

because each would be incomplete without the other, they might decide not to visit the UK at all this year, it was concern at proposals put forward by the Clothing Export Council to stage its own trade

show at yet another venue, and

urged that a date after Paris

should be settled on as the per manent timing for a single Another recommendation was the formation of a body to represent exhibitors showing during London fashion weeks, which would be able to run and organise an industry event. Because a number of manufacturers are at present out of the country-attending the Interstoff fabric exhibition in Frankfurt-it was decided, however to delay appointing the commit

ing, scheduled for May 28. Philbeach yesterday welcomed the proposals emerging from the meeting and officials said they would ready to talk to members any committee appointed by the industry.

tee necessary to form such a

body until after a second meet-

"We have always wanted to see a common industry voice emerge," said Miss Caroline Ireland, director of the London ashion Exhibition.

Talks were already under way, Miss Ireland confirmed with the organisers of London Fashion Event — currently held in the Kensington Exhibition Centre, formerly the Derry and Toms building—to see if it could be brought together with The London Fashion Exhibi tion, first held in 1976, has attracted a peak of 450 exhibitors, though the most recent figure was down to about

330 due to the recession,

June 5-14 International Aeronautical Exhibition (01-439 3964) Paris BUSINESS AND MANAGEMENT CONFERENCES The Economist—Video Conference (01-839 7000)... Malaysian Industrial Development Authority: Malaysian Investment Dialogue (01-493 0616) FT Conference: Traded Options—a new dimension for UK investors (01-621 1355)... The Textile Institute: Exhibits and Finishes for The Textile Institute: Fabrics and Finishes for Workwear (081-834 8457) Thames Polytechnic: How to start your own business (01-854 2030) Government Research Comp.: World Gold (01-870 3176)

and Bradstreet: Understanding Credit and Collections—for collection personnel (01-247 Ian MacGregor, British Steel Corporation chairman, speaks at American Chamber of Commerce Lunch (01-493 0381) University of Leeds: Reducing Industry's Transport Problems (0532 35036)

ropean Study Conferences. Tax planning and management of stock relief in the light of the Finance Bill (057282 2711) ... Comprime: Chemical Industry in the years 1985-2000 (31 20 598 3211)
Industrial Relations Briefing: Sick pay schemethe changes (01-289 1158)
The Institution of Taxation: Finance Bill 'S1

Management Centre Europe: Do the old rules still apply? (Brussels 2190390)

FT Conference: The role of international companies in Saudi Arabia's development plans (01-621 1355)

FT Conference: Energy supplies—feast or famine? (01-621 135) (01-621 1355) Lloyds of London Press: Marine Insurance '81 Hull Conference (91.353 1000)

FT Conference: Financing World Air Transport
Expansion (01-621 1355)

Abacus Conferences: Investigations by European
and United States Completion Authorities

(0604 881300)

IPM: Methods in Interpersonal Skills Training (029383 344)
Varian: Leak detection seminar (Switzerland 04223 44 33)
ICETT: Symposium for Chinese Research Workers
in UK (05827 68219)

AMD: Communication and Confidence Development for Managers (07535 56047)

Oyez-IBC: Financial Modelling (01-242 2481) Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

EXHIBITIONS Antwerp

Sao Paulo

The Churchill Hotel, W1 Mark Lane, EC3 Novotel, Bradford Woolwich SE18

Portland Hotel, Manchester

Hilton Hotel, W1

Selfridge Hotel, W1

Royal Lancaster Hotel, W2

Grosvenor House, W1 Hilton Hotel, W1 London Press Centre, EC4

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EX-SERVICE MEN'S ASSOCIATION Diabled Reput

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE Central Electricity Gener- vary depending on the availaating Board says it expects to bility of NCB coal and the level import an average of 5m tonnes of electricity demand. of coal a year during this decade—a move which could imports would merely supplelead it into a fresh clash with

the mining industry. The CEGB's announcement at British coal. a coal trade conference in Washington, comes as the Government is trying to reduce coal imports to an "irreducible minimum to help the National Coal Board weather the recession and keep open its marginal

The CEGB is cutting its coal imports this year from 4m tonnes to 2m tonnes because the recession has cut demand for electricity. But it does not want to halt imports completely because these supplies give it a bargaining lever in price nego-tiations with the NCB, which supplies more than 90 per cent of its and

Mr. Clive Wicks, the CEGB's chief coal supply officer, told the Washington conference the board was likely to burn about 80m tonnes of coal a year in the early 1980s, rising to some 85-90m tonnes by the end of the decade.

He said an average of 5m However, the NCB last night tonnes a year would have to be adopted a sanguine attitude to He said an average of 5m imported, though this would the forcast

He did not say whether these

ment NCB production in the event of a shortage or replace

But he did say the CEGB, which is not huying coal from the U.S., was likely to "re-enter the market before long."

He said imported coal played an essential role in the CEGB's coal purchasing strategy because if prevented the NCB from raising prices excessively and it supplemented home produced coal in times of shortages

The board was buying 2.5m tonnes of Australian coal under three- to five-year arrangements running from April 1980. It had purchased a further 2.5m tonnes from the U.S. in 1980 but had not renewed these contracts because its electricity sales last year were 10 per cent below estimate.

With CEGB coal imports running well below 5m tonnes, his speech implies the board may be importing substantially more than that figure by the end of the decade.

CEGB expects coal | Better pension rights urged for people changing jobs

Eric Short reports on proposals affecting employees' mobility will have better protection for their pension rights if the Government adopts the recommendations made last week by the Occupational Pensions Board whose long-awaited report on this subject has been delivered to Mr. Patrick Jenkin, the Social Services Secre-

be published next month. However, Mr. Jenkin told Parliament on Friday of the board's main recommendations. thus enabling Lord Brimelow. chairman of the board, to discuss the report at last week's annual conference of the National Association of Pension

The present position concerning pension rights when an employee changes jobs is com-

piece of legislation guarantees him a preserved

pension at retirement based on . The board's solution is simple his years of service with the employer and earnings at the time of leaving.

Another piece of legislation guarantees part of that pension equivalent to that provided by earnings related State tary. The report is expected to scheme known as the Guaran-teed Minimum Pension (GMP). This is revalued annually, usually on a fixed rate of 81

> But the remaining part of the pension is not usually revalued by pension schemes. It is more common to reduce that part of the pension as the KMP portion increases—a situation known technically as "franking." Thus, the early leaver loses out on his ultimate pension compared with someone who stays with

-revalue the rest of the pension and thus ban franking. But the board divided on the method of revaluation.

The obvious method is to revalue on the same basis as the fer payments in lieu of pre-GMP, but only a minority put forward this method. The majority of the board, concerned about the cost implications to employers, recommended a 5 per cent ceiling each year.

The solution is not going to satisfy the majority pressing for reform. They want an employee's ultimate pension to be completely independent of the number of jobs he has had. This would mean that, when an employee changes his job, will get the benefit from his new employer of service with his previous employer.

that the board had investigated this " year for year transfer and the desirability of giving better rights to early leavers, it also

rejected it as ill-founded." Lord Brimelow also discussed the widely-held view that transserved pensions were a better option for early leavers. He claimed that such payments were not intrinsically better

assumption was illusory. Therefore, the board, in making its recommendations for better protection for pension rights, had concentrated on He admitted to the NAPF that the proposals were modest and

and that this widespread

thus open to criticism. Explaining the conflicting same as those who stay. factors and views that the board had taken into account in reach-

tical recommendations was one of cost to the employer. while the board had to consider

Too big a cost burden might force employers either to cut back on other benefits, or weaken the financial solvency of the pension scheme by not cations to employers and their increasing contributions or even by taking the ultimate To those pressing for change. step of winding-up the scheme.

it is self evident that the present Hence the reason for the board recommending a low statutory revaluation basis and But from the evidence to the it to individual leaving board, it is still widely held employers voluntarily to pay that a pension is a reward for more if they can afford it, Lord long and faithful service. This Brimelow expected that ever traditional view is justified by these modest proposals could be criticised on cost grounds.

The initial reaction at the The board, however, was NAPF meeting was that the recommendations were not ununanimous in recommending that in principle early leavers should be treated exactly the reasonable in providing better protection at a cost that could The reason why this principle possibly be met.

Wurzel Gummidge TV show may close

executives will meet this week to assess chances of saving TV's most expensive children's series Wurzel Gummidge," after it failed to win a prize at the Montreaux television festival

A major award would probably have guaranteed enough overseas orders for the proto fund a new series. Now the future of Wurzel the scarecrow, played by Jon Pertwee, looks grim.

Southern's programme con-troller, said "Wurzel Gummidge costs £75,000 an episode and he had planned to make a the programme finished for new series of eight pro-grammes." The cost would have been £600,000 and we had

already earmarked £500,000 towards it. "The other £100,000 would and sold to another ITV comhave come from shareholders'. pany.

Southern TV shelved plans money. We thought we could for another series after losing not take it from them once we its ITV franchise at Christmas. had no contract to broadcast Wallington, after the end of this year." Jon Pertwee and Una Stubbs who plays Aunt Saily, have said they would be heartbroken if

> Mr. Pertwee said, "There are still hopes that Wurzel could be made as an independent production after Southern closes

Report says marital failures cost £1bn

had to consider the cost impli-

position is grossly unfair to

the need for a stable workforce.

job changers.

breakdowns in Britain is cost-

ing the country fibn a year, according to a study published the Conservative Political Centre.

The report, prepared by a research committee of the Society of Conservative calls on the Govern-Lawyers, ment to set up a Royal Commission into the problems
The report describes t enormous increase in the

divorce rate as a "social revolu- It says the state has withdrawn society. It says that although the misery cannot be measured, the financial cost to the state can be and is an intolerable burden.

In 1978 the cost of supplementary benefit to one-parent families was well over £800m. marriage breakdown, is £180m, marriages break down;

tion" representing a deep well from preserving marriages and of human misery harmful to protecting children because of wants a commission to consider the state whether resume those responsibilities.

The report wants the commission to look at: altering divorce laws; a Government minister for the family; state-aided says the study, and the cost of marriage guidance bureaux;

Labour Bill will demand 'right of reply' in media

publish within three days cor- the automatic legal right to rections for misrepresentation. under a Bill to be introduced to the House of Commons next

Mr. Frank Allaun, chairman of Labour's Press and Publicity Committee and sponsor of the Bill, said yesterday: The Bill will not end the anti-union- antilabour and anti-peace bias in West Germany, Fra certain newspapers which are mark and elsewhere. mostly owned by a handful of extremely wealthy, powerful kind of distortion I have in

claws. It would be a partial safeguard against untruths."

The measure is unlikely to achieve success in this Parliaexpected soon to endorse the false," he said.
proposals in the Bill, which "If this bill becomes law the

party policy. East, said: "If a person, an hood to publish an immediate organisation or a company is reply."

would be compelled by law to they will, under this Bill, have require a correction within three days in the same place in the newspaper and in the same

"Equally, this right would apply to the radio or TV, where distortion is even more serious. Mr. Allaun said that such legislation already operated in West Germany, France, Den-

"A typical example of the and reactionary magnates.

"But such a measure would during the winter of discontant pull some of the Press Lords" headlined "Cancer patients sent home to die,' carried by several mass circulation newspapers.

"This story, which did great damage to the trade union and ment. But a future Labour Labour movement has been Government, with Mr. Foot as carefully checked by officers of Prime Minister, would almost Nupe, the union involved in certainly give it a fair wind. Industrial action at the time. Labour's national executive is and found to be completely

would then become official unions concerned would have a legal right to compel those Mr. Allan, MP for Salford papers which printed the false

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Medieval manuscripts on sale at Sotheby's

NINETEEN medieval manu-Benedictine monastery near scrips believed to be worth well Augsburg in Germany is exover £500,000 are to be sold by pected to fetch more than Southeby's on May 18 at an £250,000. evening sales inaugurating the company's new London book

One manuscript, the 800-yearold Ottobeuren Sacramentary, written and illuminated at the

COMPANY NOTICES-

The sale follows a decision by

the John Carter Brown Library at Brown University in Provi-dence, Rhode Island, U.S. to auction the manuscripts because they do not fit into the library's specialised collection of Ameri cana, tracing the early explora-tion of North America.

Sotheby's two-day sale of jewels in Geneva ended last week at a grand total of SwFr 17.6m (just over £4m). The highest price of the event was SwFr 780,000 (£179,310) for a diamond ring set with a 13.18 carat step-cut diamond by Van Cleef and Arpels. This was followed at SwFr 740,000 (£170,114) from a Middle Eas tern buyer for a 31.98 carat step-cut diamond mounted be-

Colonial paintings and Latin American sculpture sold by Sotheby's in New York on Thursday fetched \$353,500 (£167,258),

Nuclear waste plant seeks planning consent

THE £100M waste treatment complex planned by British Nuclear Fuels for its site at Schafield in West Cumbria will be considered by Copeland Borough Council this week.

The complex consists of waste treatment plant and a development building to extract plutonium from radioactive waste dumped at Drigg, four miles to the south.

The plant will increase discharges to the atmosphere and to the sea but BNFL has given an assurance that the most highly exposed group of the public will not receive more public will not receive more than 10 per cent of the inter-national radiation limits while alpha discharges, which are most likely to have a long-term cumulative effect, will not exceed 1 per cent of the per-nitted dose.

The convolute will be sited on

The complex will be sited on 59 acres of high quality farm land. This has been criticised by the Ministry of Agriculture, while the Isle of Man Govern ment objects to additional dis

Pressure on MPs to join 'people's march'

MPs that they will be called to task by unions if they fail to join the people's march was issued vesterday as the National Union of Public Employees, the Labour Party's fourth largest union affiliate, prepared serial numbers would be taken for a major debate today on a and many trade unionists would tough campaign to secure greater accountability of Labour they had not responded. They

A plan to identify any individual Labour MP who failed to join the march was outlined by Mr. Colin Barnett, regional organiser of the TUC march and also North-west regional officer for NUPE, as 800 delegates of motions will be put to con-Benn to withdraw from the con-ported enthusiastically resolu- was in response to prothe union met for their annual ference calling for greater detect. This resolution is widely tions condenning all union from its nursing members.

HARSH warning to Labour conference in Bournemouth. Mr. Barnett, speaking outside the conference hall, warned that MPs who did not join the march would be judged harshly. He said their names, rank and be wanting to ask them why would be reported to their sponsoring unions and their con-

> The warning took on special significance on the eve of a NUPE debate due today on Labour Party issue. Several

stituency parties, he said.

mocracy and accountability of expected to fail. MPs, in the Parliamentary Labour Party Party.

The union, with 600,000 affiexpected to support a proposal will abide by, and seek to im-plement the Labour Party election manifesto.

The conference will also be faced with a last-minute emergOpening yesterday's economic schemes.

policy debate, Mr. Alan Fisher. general secretary of NUPE, listed Labour Party votes, is argued strongly for the Government to channel £61bn into sored walks, and coffee morn by Mr. Tony Benn, candidate for economic regeneration. The the Deputy Party Leadership at money should come from the th next Labour Party con- £15bn a year being paid out to believed should be made avail ference, that MPs should, as a maintain the "obscene" levels able from central funds. condition of nomination, sign an of unemployment, out of the official declaration that they £12.3bn a year spent on defence

out of North Sea oil. In a debate on the front line vide an alternative to institu controversies facing the National tions for providing care for the ency motion calling on Mr. Health Service, delegates sup-mentally handicapped. This

cost of the Common Market, and

involvement in private medical

Delegates also supported a call for a policy of nonco-operation with lotteries, sponings designed to raise money for the Health Service which they

The union also yesterday claimed to be the first to adopt and nuclear weapons, out of the a formal policy to throw its weight behind the campaign by voluntary organisations to prowas in response to pressure

Chapple believes it will not, in

the immediate future. Instead, he believes, there will be end-

While this happens, there will

be no useful progress made

between the unions and the

strategy for the next election,

less constitutional wrangles.

Electricians ready for long struggle against Left-wing

BY JOHN LLOYD, LABOUR CORRESPONDENT

Engineering Workers has not impressed the union's closest ally, the Electrical and Plumbits general secretary, see the ing Trades Union. The AUEW's future for his brand of politics, up one of these two preferred leadership failed to secure funds for ballots under the 1980 Employment Act, and was left with a potentially contentious position on the issue of the Labour Party's proposed elec-

oral college. "worth the aggravation." He
The electricians have not repeats a point he has made
xperienced such a debacle, before — that such an applicatoral college. experienced such a debacle. Mr. Frank Chapple, the EPTU tion would largely have been general secretary, and the large to support the AUEW. general secretary, and the large majority of his executive, do not believe that resolutions passed by caucuses, or conferences, should be treated as holy If it were to find money tight, writ. They favour a pragmatic it would feel free to apply for mixture of conference decisions, ballot votes on issues and a final

There is little chance that the system is the previous one of EPTUs biennial conference, election of leader and deputy by which begins in Blackpool to- MPs. If that has to go. it would day, will disturb that state of favour election by all Labour affairs. However, this union of Party members.

THE CONFUSION last week 440,000 skilled workers remains among the Right-wing majority in a state of some political of the Amalgamated Union of isolation on the Right-wing of the movement. How does Mr. Frank Chapple,

> and what part might the electricians play? Firstly, the union will not now apply for money for ballots under the 1980 Act. Mr.

Chapple does not believe it is

Unlike the AUEW, the EPTU is not desperately short of cash and anyway runs fewer ballots.

the money. seal of executive committee approval to determine how they run their business.

electoral college for the Labour Party leadership, it finds itself in a dilemma. Its preferred

Mr. Chapple is extremely unenthusiastic about any of the other formulas on offer: he may. before the issue comes up at the next Labour Party conference, alternatives as a principled position, and sticks to it, come

Thirdly, the electricians are certain to back Mr. Denis Healey for Labour deputy leader against Mr. Tony Benn. Mr. Chapple believes these are the only two real alternatives in the race for deputy leader: Mr. Healey will address the EPTU conference tomorrow.

However, neither Mr. Chapple nor Mr. John Spellar, his chief researcher and close adviser, believe it will be a walk-over: both think Mr. Benn has as good Secondly, on the matter of the a chance of winning. They have lectoral college for the Labour consistently warned that the arty leadership, it finds itself Left-wing in the Labour movement was well organised and highly motivated. And they have deplored the Right's inability or unwillingness to

Therefore, there is a certain the Labour Party.

robust pessimism evident in Mr. Chapple's survey of the Labour movement. Yet he does not intend to give up the fight for, as he puts it in his annual report, "genuine democracy in the Party to restore the Party to ordinary working people."

The union is fighting an active party in working out a common campaign to get its members involved in their local Labour he thinks. parties, combatting the role of the far Left-wing. To that end, it has appointed political officers in a number of areas, and has seen some success in South London and Scotland. Yet no attractive programme will be other union is prepared to do found. For the EPTU, the

believes, is the will of the centre-Right in the TUC. He lays much store on the role of Mr. David Basnett, general secretary of the General and Municipal Workers' Union. Mr. Chapple believes he should use his position at the centre of the TUC and as boss

of the third largest union in the

country to give a lead against

the Left-wing in the unions and

Minds may concentrate in the 12 months before the next General Election. Then, he thinks, the will to give the Labour Party an electorally The real issue, Mr. Chapple

future might lie in more influence through amalgamation. This would not, for the moment, be with the formerly attractive AUEW, but through a revival of the concept of linking the GMWU, the EPTU and the white-collar union APEX to create a 1.4m strong centre-Right bloc.

Mr. Chapple, it appears, is still in business: the Labour Party is still retrievable. But it will be a long haul, he

Threat of all-out public strike grows

By Philip Bassett LEFT-WING gains in seats on the executive of the Civil and Public Services Association, the largest Civil Service union, expected to be announced today may increase pressure on Civil Service

unions for all-out strike

action over pay. Moderates in other Civil Service unions have seen the present CPSA executive which is predominantly rightwing, as a bulwark against wider action and the involve-ment of sensitive benefit pay-

The executive is currently divided 20-6 between right and left, with two right-wing vice-presidents and Mrs. Kate Losinska, the union's leading moderate, as president.

Estimates last night among both left- and right-wing delegates in Brighton for the union's annual conference which begins today, foresaw a shift to the left in the results due to be announced today. The estimates put the new executive right-left division at 17-9 or 16-10.

If the voting shows that kind of split it would increase the likelihood of the union more fully backing a call for an all-out strike to be debated today before the executive

results are announced. The executive elections have drawn a very low poll of the union's 220,000 members, mainly because of the concentration of activists on the strike campaign. Some estimates put the poll as low as 10 per cent. Left-wingers, in particular, who tend to do better out of lower polls, have not made great efforts to induce members to vote,

In large branches such as DHSS Long Benton and New-castle, and the Department of National Savings, where the Right hoped to make gains, moderates have secured only about 25 to 33 per cent of votes cast. Overall, the figure in contested areas is put at Mrs. Losinska is expected

about 2-1 against the Right. to retain her presidency. though the voting has been much closer than in previous

Level of pay deals falling, survey finds

BY PHILIP BASSETT, LABOUR STAFF

falling level of pay settlements level in the October-November is reported today by the survey. Engineering Employers' Federa. The

tion.

The EEF, the largest constituent of the Confederation of British Industry, reports that the results of its survey of member companies reaching local pay deals in February and March show that a third concluded deals of 6 per cent or less, compared with less than a quarter in the previous two

The Federation's figures are likely to strengthen the Governnent's resolve to limit pay deals in the public sector to about 6 per cent, and in particular to continue to resist the claims of Civil Service unions for a deal above that figure.

The 33.2 per cent of com- dates.
panies surveyed with local The survey of local agreesettlements of 6 per cent or ments in the industry's two-tier This figure compares with 24.2 a figure which in turn repre- workers and staff.

FURTHER EVIDENCE to sup- sents double the number of port employers' claims of the companies which settled at that

The latest survey also shows that nearly 90 per cent of all the settlements recorded were for 10 per cent or less. A further indication of the falling level of settlements is that the highest band recorded by the EEF is for deals of 12.1 per cent and above, compared to 15.1 per cent and over for December-

January. The EEF said 36 of the member companies surveyed reported either no pay increase above the national minimum rates, or a deferment of the increase's due settlement date.

National minimum rates for the industry are not implemented until member companies bave concluded local deals on their own pay anniversary

The survey of local agreeless is the clearest indication bargaining system covers 310 of the falling level of pay deals. companies reporting settlement in February and March and per cent for December-January, involves some 106,700 manual

Dockers reject £8 offer

dockers yesterday overwhelmingly rejected, on the advice of cluded shop stewards, the Liverpool attendance port employers' offer of an £8 holidays. press for a 13 per cent rise. worth about £15.

About half the 3,500 workforce attended the meeting berths. which also rejected a package The of fringe benefits linked to changes. Mr. Denis Kelly, chairman of the Mersey docks shop stewards' committee, said after two sides at the meeting that there was no this week.

A MEETING of Merseyside question of confrontation yet. The package of benefits included increased bonuses, attendance pay, sick pay and holidays. Employers insist pay increase and decided to agreement must be reached on working practices and removal of restrictions at the container terminal and general cargo

> The Transport and General Workers' Union says the pay claim must be settled before talks on working practices. The two sides are due to meet again

Ford talks to open at Halewood

JOINT management-union talks open today at Ford's Halewood plant, Merseyside, on recent production disruptions. These About 900 Escort models were

Four men were suspended in the stamping plant on Wednesday's night-shift for not conforming to work standards, and production disruptions. These 60 colleagues walked out in again resulted in the use of the sympathy. Management then company's disciplinary code. land off 5,000 hourly paid workers in the body

Financial Times Conferences

WORLD ELECTRONICS

London-May 11 and 12, 1981

Electronics as an economic driving force will be the subject of the third session at this international conference, with papers by Mr. Uwe Thomas, Director, Electronics and Production Technology, Ministry for Research and Technology, Boon; Mr. G. Thery, Director-General, Telecommunications PTT; and Dr. Ian M. Mackintosh, Chairman, Mackintosh International. Mr. Jan Freese, Director-General, Datainspektionen, will examine the impact of electronics o personal privacy.

THE ROLE OF INTERNATIONAL COMPANIES IN SAUDI ARABIA'S DEVELOPMENT PLANS

will be discussing project participation and the opportunities for foreign businessmen.

London-June 1 and 2, 1981.

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TWO U.S. enterpreneurs in Britain last week to talk to investors said they had been watching the space-shuttle, Columbia's return to earth with more - than - average Their rocket technology helped to lower its landing gear.

Rockeor began life 20 years ago as the brainchild of Dr. George Sutherland, a Boeing engineer who thought there was a growing need for very small rockets.

founded Rocket Research Corporation (now Rockeor) in Washington State, close to Boeing's headquarters, to develop and supply the technology to a budding satellité industry.

It needed these miniature rockets—some generating as little as 0.1 Ib of thrust—to keep satellites accurately on station. Later, it needed much bigger ones to help space-craft land gently—660 Bo thrust to help Viking land instruments on Mars.

The basis of Rockcor's

technology is the decomposition of the into gases, by releasing it through a catalyst. The system is simple, highly reliable and operates at what—for a rocket—is the

perature of 1,800 degrees C, says Sutherland, distrman and chief executive officer of Rockcor. He has now fulfilled 18 development contracts for telecommi tions and defence satellites.

Hand-held

One NASA contract was a feasibility study for a handheld rocket an astronaut might use to move around more easily in space. Bernard Beckelman, another ex-Boeing executive—he headed the company's Apollo pro-ject team before becoming Rockcor's chief operating officer—has no doubt such a system will be needed for assembly and maintenance in maintenance in space.

But Rocker's technology found wider uses as a way of generating almost instantaneously huge volumes of gas. Again, aerospace was the initial sponsor, with requirements for small gas generators to assist the operation of control surfaces and landing gear.

From these developments came fast-inflation systems for emergency escapes from airliners, and to give helicopters buoyancy when they crash-landed on water.

ing him over or enveloping him in a cloud of poisonous gas. Then the missile's own rocket and intelligence could safely take over. Rockcor's chemists came up with a solid propellant

that decomposes mostly to

brought a new

with a need for a gas genera-

tor in a portable anti-tank guided missile system called

Tank Breaker, designed to be

fired from the shoulder.

It called for an idea that

would firew the missile clear

of the soldier without knock-

challenge

non-toxic nitrogen.

The origins of this solid. orate diversification. It has delved deep into the "air bag b system of passive re-straint to soften the impact of ear crashes. In 1979, it set up a factory to start prod ing the system for Ford's 1981 models. But the Reagan administration has postponed for at least a year the date when passive restraints are required for all new models. But the air bag technology

opened new opportunities for advanced technology in the U.S. car industry. General Motors asked Rockcor to think about ways of automatically ting a flat tyre.

Initially, it investigated a GM sealant for sealing punc-



George Sutherland (left) and Bernard Beckelman of

lieves it has invented an all-mechanical warning system

little as \$40-50 per car.
It has an acoustic coupling

hich might be fitted for as

tween tyre and driver, warn-

ing him with a persistent "knocking" sound. "You

know it's either your tyre or a bearing," says Beckelman. The U.S. Department of

tures in tubeless tyres. It led the rocket division to a licensed to four major tyre companies, for whom Rockcor also supplying production

technology. This deve the question whether drivers ght be given early warning of low tyre pressure. It be-

carry out its own studies of the system. "If it works, in combination with the scalant it will make you think seriously of abandoning the tyre, " Do such forays into the

Transporation has elected to

motor industry suggest a drift away from high technology?"
"No." says Sutherland "There is as much technology here as in anything we've ever made." The company has main-

tained an investment of more than 8 per cent of its income in research and development since the mid-1970s. He reckons it takes Rockeor an average of seven years to

turn its ideas into the first commercial application. This year, Sutherland forecasts an income of about \$60m, against \$53m last year, and \$39m in In fact, Rockcor's main

diversification from zero-space, a decade ago when the industry seemed set for a slump, took them into still higher reaches of technology. One of several acquisitions was Physics International, which specialises in generating great bursts of energy in the form of radiation. Its markets are scient wishing to simulate electromagnetic pulse

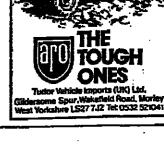
nuclear weapon — "some simulators are as big as a building" — or research wanting to drive giant lasers or heat plasma to thermonuclear temperatures.

Its achievements include Aurora, claimed to be the world's most powerful pulsed electron - beam generator. capable of generating-albeit briefly—a level of power 10 times as great as the entire electrical capacity of the U.S. Physics International —

which became a division of Rockor in 1975—was invited last autumn to take part for the first time in nuclear weapon tests in Nevada, on the new MX missile for the

U.S. Air Force.
It received a \$4m contract for the Miner's Iron under-ground test. The Rockor executives believe that its success in capturing a high proportion of data is bound to lead to further U.S. Government contracts.

Rockor has even found a use for one explosive idea that didn't come off. It developed a propellant that proved too unstable for rockets. Now it plans to use it underground, to fracture rock in gas-bearing structures, and allow the natural gas to flow more



Caging cylinders

A PRODUCTION version of the 1981 Beaumont Safety Award winner - a steel cage for storing and protecting compressed gas cylinders — is to be mar-keted by Pilcon Engineering (0752 3861), a member of the Costain Group.

The award was made by the Construction Health and Safety Group for a "single device or method used by a company for the prevention of accidents on

The cage, which can hold six large gas cylinders of the LPG type or smaller cylinders double-stacked, can be moved around a factory or construction site by crane or fork-lift truck. Its open-mesh sides and top allow adequate ventilation and admit water jets or sprays if the area is threatened by fire.

Microfocus scores over the giants

is an area where the UK prides Siemens and Intel, to complete itself on great ability, but some that development. The quality times has difficulty proving it. of that product is acknowledged Now two Queen's Awards have in its recognition by both the gone to the software industry; U.S. and UK governments which BIS, creators of the market-leading foreign exchange package. Midas, got theirs for export. Microfocus, which has developed

a way of running the world's most popular big machine language on microcomputers, took the technology prize.

CIS stands for compact, inter-

active and standard. Certainly at the start it was world wide. its only product. Mr. Brian it drummed up money from

IT HAS been a good year for a number of brave manu-British computer software. It facturers, including Tanberg, have approved CIS Cobol for

government projects.

CIS Cobol conforms strictly the American National Standards Institute (ANSI) standard for Cobol, Cobol 74 but according to Mr. Reynolds it is an attempt to start all Its achievement was all the over again in computer promore remarkable because it gramming. After all this took on the industry giants and time, the family of products won. Set up four years ago, which make up conventional Microfocus turned over only Cobol have become ragged and £850,000 in 1980 and expects hard to work with. CIS Cobol to do £2m this year. is a conceptual leap forward
Its product is called CIS in ways of looking at what Cobol. Cobol is the commonest Computing should be like computer language diere is. The company now has an used for 90 per cent or so of American subsidiary, Micro-all business applications. The focus Inc., and has sold the language under licence to more than 25 computer manufacturers

For the technical, the smallest Reynolds, chairman of Micro- machine CIS-Cobol runs on is focus, says the company was the Apple 11—the compiler can founded to develop the language be squeezed into 48K bytes. Microfocus is on 01-722 8843.

Signals from a central micro-

processor controller are trans-

mitted to the receivers over

the existing power lines to the lamps. Normally, all street lights are switched on

at dusk. But as traffic density

diminishes during the night

the lights can be gradually

turned off, with regard to the

time of year, weekends,

The equipment is claimed

to be easy and inexpensive to instal. Yearly savings at

present electricity costs, are broadly estimated at between £6,000 and £10,000 per 10,000

inhabitants of a town or

The system, for which

patents have been applied for

in 22 countries, can also be used for other types of remote control in industry and security installations where existing power lines

can be safely used for the

transmission of signals.

statutory holidays.

NSIGHT INTO JAPANESE MANAGEMENT

ADVERTISEMENT

Sharp: Contributing to culture and welfare through technology

Mr Tchird Hashizaki, joint Managing Director of Sharp Electronics (UK) Ltd has been in Manchester since 1970. He arrived a few months after his senior British colleague, Mr. W H Broadbent, had put the new company on the road. Broadbent, described by an admiring British colleague as "a very strong, aggressive salesman," had been the agent for Sharp radios and other electronic goods from the 1960's and saw the opportunities which expansion would create.

When Hashizaki arrived from Japan the annual turnover was about £1 million. Today it has grown to over £60 million in the year just ended, but at the cost of continuous effort and two changes of venue, the final one being into the brand new headquarters on Manchester's Oldham Road.

"Our growth has been very fast," said Hashizaki. "It has been difficult to plan the purchase of the correct. quantity of products to meet market demand when turnover is doubling or going up by half, which is what has actually happened. Once the momentum starts you can't let it stop. We have many accounts to look after and many

Our growth has been

consumers to satisfy; the volume of work has increased and also the

pressure on time and space. It has

Yet Hashizaki does not look at all

regretful, bubbling away as if he were ready for another decade. And why should he feel bad about co-presiding

over an effort as a result of which

millions of Sharp products have been

sold in Britain over the past decade?

year the Chinese Empire finally crumbled. Sharp's inventive founder,

Tokuji Hayakawa, opened a metal-works in Japan and in 1915 invented

the first mechanical propelling pencil.

He called it "Eversharp" pencil from

making Japan's first crystal radio set in 1925, its first TV set in 1951, its

first colour television in 1960 and the

top calculator in 1964.

world's first solid state electronic desk

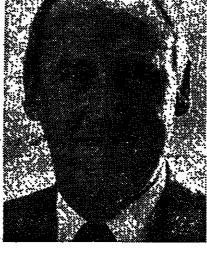
Sharp now distributes its product to -135 countries and has -35 overseas

which the company took its name. Sharp went from strength to strength

Sharp began in Japan in 1912, the

not been an easy few years."

very fast 🔵



Mr. W. H. Broadbent Chairman, Sharp Electronics (UK) Ltd



Mr. I. Hashizaki Joint Managing Director

Sharp Electronics (UK) Ltd

plants. Manchester is one of the largest overseas distribution complexes.

Most products for the British market come from Japan itself, although the Sharp factories in Taiwan, Korea and Malaysia also supply the UK. Locally produced products also form an important part of the product range.

In Europe there are, at the moment, some technical licensing arrangements for manufacturing electronic products. However, if the market develops and conditions are right, Sharp may manu-facture in Europe in the future. The company's approach to all its problems and opportunities is flexible, in spite of the great size of its international

When Sharp does go abroad to manufacture it prepares its path in the most thorough way. The booklet announcing its new factory in Memphis Tennessee opened with a page of signed photographs of two Senators, the Governor, three Congressmen, two Mayors and three other local dignatories. The President of Sharp Mr. A Saeki is shown meeting with vice-president Mondale and conferring with President Carter's special trade representative Ambassador Robert Strauss.

These were all people who had power at that time to welcome Sharp both to the state and the nation. The way Sharp put down its manufacturing base into America set an example which Japanese businessmen have always

Sharp has a business philosophy which is not merely to expand its business volume, but to contribute to culture and welfare all over the world through its unique technology. At the same time Sharp develops its employees potential and helps them to achieve better standards of life and

The four items in the corporate creed may sound superficial to a jaded western ear, but read slowly they do explain some of the success Japanese management.

Harmony is power Politeness is a virtue' 'Creativity is progress'
'Courage is the source of a meaningful life'

In the UK turnover has reached over £60 million showing a continued increase over the previous year. Video sales are making a growing contribution but the biggest item on the British sales list is audio equipment where the demand is very strong. But Hashizaki commented that: "Without our range of products it would be hard to maintain growth. We have the capacity to keep creating something new."

As an example Hashizaki cited the dual-play disc music centre which plays discs vertically. The system uses two linear tracking tone arms which move horizontally across a vertically positioned record. In effect it means that the record player can be used just like a cassette deck.

Sharp also distribute domestic appliances, mostly microwave ovens, where it has a substantial share of the UK market.

The industrial and office equipment division has been affected by recession to some extent, though products like personal computers, calculators, copying machines and electronic cash registers are still doing well.

Hashizaki declared that: "We shall continue to grow in the future by developing and offering creative products which answer the needs of the market. There are also areas which are either new or have not yet been fully

affording

Sharp Electronics (UK) Ltd

by Dick Wilson on Japanese

One of a series of articles

enterprises in Britain

 Sharp have always been confident in the future of Large Scale Integrated circuits (LSI)-the famous chipssince they were involved in their manufacture 12 years ago. Now Sharp is in the forefront of this type of electronic technology and its application is seen in many industries apart from

home appliances and office equipment. The success of Sharp in developing creative products lies in its advanced technology coupled with its positive investment for the future. Capital investment during 1980 amounts to £75 million. This year even higher investment is planned.

Since 1963 Sharp has been strongly into solar energy even mass producing solar cells for converting solar radiation into electric energy. These cells can make a significant contribution to world energy saving in the future.

In Japan it is a Sharp electronic translator which has caught the imagination. No bigger than a pocket calculator, it is effective for translating English into Japanese. One newspaper hailed it as a new 'Solomon's ring' unlocking the language barrier. By simply changing the module it can also translate many western languages.

The work done in Japan on future technology helps pave the way for new industry in Britain to emerge. In the Sharp computer systems division the hardware is manufactured in Japan, but it has opened the door for a fastgrowing software industry to spring up

The staff in the UK is 250 with only 18 Japanese. Broadbent, the founder, is the British chairman. Most of the 40 or so salesmen are British and staff are well paid and looked after. It is a sound international team.

The capacity to create something new

Presumably because of its strong British leadership, Sharp (UK) is deft in its publicity. It was partron of the first FA Cup semi-final between Liver-pool and Manchester United ever to be sponsored. More than 40 million people watched that match with Sharp exploiting every opportunity for publicity.

Sharp is now sponsoring a residential soccer school in Manchester where about 40,000 teenagers will learn from Bobby Charlton and leading Football Association coaches. This is part of a Sharp policy to work with children, who are not only potential customers now, but the decision makers of the

Sharp are providing creative products, and are confident of maintaining steady growth as a major supplier in the electronics industry.

This confidence in the future and the company attitude based on its motto of sincerity and creativity are

inside every other lamp post.

Heat-gun.

DESIGNED for stripping paint and varnish and offered as an alternative to blow torches or chemicals, is the latest heat gun manufactured by Eraser Inter-national of Andover, Hants

The gun blows controllable. hot air at temperatures up to 750 degrees F which, when when applied to the workpiece, will soften paint right through to the bottom layer. The softened paint may then be lifted off with a spatula or scraper; the paint scrapings are dry and do not create the mess usually associated with paint stripping.

Unlike chemicals and open torches, the heat gun method releases no vaporised lead fumes nor will it scorch the wood surface as a torch will, says Eraser.

The heat gun may also be used for shrinking tubing, drying, glue curing, and so on where a controllable flameless source is required.

It weighs 1.5 lb and operates from 22/240 volt 50Hz single phase electricity supply.

A SWEDISH system which programmed, up to 20 years in advance, it is claimed. Small electronic receivers. each the size of a household

Traffic control

enables street lighting to be varied automatically according to traffic density, weather, and other seasonal conditions, including hours of darkness, has been introduced in Britain by TechnoTrend, Chobham, Surrey (09905 7861). With microprocessor control, lighting up and switch-off times can be pre-

box of matches, are fitted

Metalworking

A DIGITAL readout for indicating the length of metal workpieces cut by any type of semiautomatic or manual hacksaw, cold saw, or bandsaw has been introduced by Rivers Machinery, Winchester (0962 60371).

The system incorporates an accurate gauging head fitted to slideways mounted on the offtake roller track of the machine and an encoder linked to the single-axis readout placed on the machine console.

It is claimed to increase sawing efficiency by providing a rapid and simple method of setting and measuring the precise cut-off length of each work-niece.



SHARP

Sharp Electronics (UK) Ltd Sharp House, Thorp Road, Manchester M10 9BE Tel:: 061-205 2333. Telex: 668380

Making news in the regions

Two British provincial newspapers have overtaken their Fleet Street colleagues in the race to translate events into print. Ian Hamilton Fazev reports

IN 1980, when provincial newspapers were showing their biggest financial downturn in years, the bogeyman of Britain's printing trades unions, triumphed over recession with his fifth successive year of record profits. But for Christopher Pole-Carew, managing director at the Nottingham Evening Post, it was a

It was Pole-Carew's first year out of the Newspaper Society, the employers' association for Britain's regional Press. His refusal to reinstate 28 journalists sacked during an official national dispute two winters ago made his continued membership impos-

His record profits beat the 1979 high of £1.664m by less than £12,000—the amount of his subscription to the News-paper Society. "So if we had stayed in, we would not have

Yet Pole-Carew regrets that it came to leaving. He was the first and very successful, chairman of the Newspaper Society's newspaper sales committee and, as he says, "We did our hit for the Newspaper Society. What has happened leaves a scar and it harts."

At the root of it all lies Pole-Carew's uncompromising

who do the re-typing, all of them

members of the National Graphi-

cal Association, and all of whose jobs are threatened by redund-

ancy as the new technology

The failure of the Wolver-

industry's trades unions over the last eight years. This attitude has proved outstandingly effective in management terms, for the Nottingham Evening Post is the most advanced newspaper in Britain in terms of new technology and even outranks many of the American newspapers which so frequently show off

their achievements to European visitors. Indeed, a glance at Pole-Carew's visitors' book shows recent traffic in U.S. newspaper publishers coming to learn something from him. The position at Nottingham

is in stark contrast to that in Fleet Street, and indeed to that of other regional publishers, despite many of the latters' attempts to move into modern areas of efficiency. For the fact is that problems of demarcation, coupled with one craft union's understandable fears about job losses, bar the way to genuinely

radical advance. This contrast is illustrated by the position of another evening newspaper publishing house, the Express and Star at Wolverhampton. Here, the approach to labour relations had been one of long, formal negotiation, and although an "electronic newsbegan operating in January, it did so without

eliminate the need for a news- is then printed out automatically climbing. We needed the most paper's contents to be, in effect, for National Graphical Associa- efficient means of moving copy

To put it bluntly Wolver-

had their typewriters replaced

So what has been the gain in doing it? As well as paving the

way for a full transition to new

technology, Mark Kersen, Express and Star managing

with word processors.

typed up again in a composing tion (NGA) members to re-key

relations problems with the men hampton's reporters have simply

hampton Express and Star to director, says that it is a matter grasp this nettle so far, despite of giving readers a better ser-

the introduction of its "elec- vice. "Two or three years ago

tronic newsroom," is shown by we produced only five editions

the circuitous means by which per day. There are now ten

copy gets into production, and we have expanded our ter-

room. Reaching that stage re- into the production computer.
quires solving formidable labour To put it bluntly Wolver-

systems were conceived in the 1970s (see the accompanying article below). Pole-Carew's

increases for which such

image arises from a six-week strike at Nottingham in 1973. There was a dispute over the introduction of new tech-nology, but Pole-Carew says we never quarrelled with our own staff. We quarrelled with union headquarters. Officially, it was an interunion dispute as to who should make plastic plates for the press, the process men in Slade or the NGA. But really it was about who was running this company, the unions

Some employees did not follow union instructions to strike. Pole-Carew: "Five of the six weeks were because the unions would not agree not to victimise those of our employees who had stood by

closure of Nottingham's morning paper and the redundancy -voluntary, says Pole Carew -of many NGA jobs. Since then Pole-Carew has not dealt with outside union officials at all and has got on with bringing in more and more new technology—by all accounts with the enthusiastic support of the company's staff.

before. This electronic system

is part of the answer."

And as Keith Parker, the

editor, puts it: "We have gained ten minutes per story. That's

very significant in our sort of

How to press ahead with progress

ELECTRONIC NEWSROOMS units to write their copy but this Tamworth. Our circulation is Carew thinks Nottingham has

operation.

the forefront of the changes

throughout. The break with the National Union of Journalists (NUJ) had noth-

ing to do with technological

change. It came about during

a national pay dispute, when 28 of the 93 journalists followed a union instruction

to strike. Pole-Carew sacked

the strikers for breach of con-

tract and has resisted all

pressures to take them back.

"We are not anti-union" he insists. "We are pro-management managing. We

are only interested in unions

telling us how to manage if

interests. We are employed

as managers to make sure

that the company runs pro-

perly. I am very interested in staff opinions because they

have something at stake. Out-side union officials have noth-

ing at stake in this company.

vide the management, not

them. This company runs because of our workforce and

they have employment be-

cause we have a product which we can sell. Unions

divide loyalties and you can-

not serve two masters. If anyone wants to serve the

mion, we say, 'Go and do it elsewhere.' Our staff get the management's loyalty

because they have a right to

it. We expect loyalty in ex-change."

only 23 - his uncertainty arises

because of the disappearance

ham, which has meant that some

people do not work there all the

time, moving in and out of the

composing area according to

There was a striking example

need and function.

around, a new system to do re-jigs of the paper faster than ever demarcation lines at Notting-

peration."

of this lack of demarcation the
A similar quest for reader day I went round the Notting-

satisfaction is apparent at ham paper, At a newsroom the Nottingham Evening Post VDU the greyhound racing

(see article above) where ten correspondent was just finish-editions are also produced each ing his column and tips for the day, compared with five or six next day's paper. He had

"We pay the staff and pro-

Christopher Pole-Carew (left) and Mark Kerson: their newsp in Nottingham and Wolverhampton now produce 10 editions a day

compositor. The man working next to him is now a full-time journalist—a "natural find" redeployed from being being an

The tour was in response to challenge from Pole-Carew: "Go out there and talk to who-ever you like. If we are as autocratic and right-wing as people say we are, you would expect to find people screwed down in shackles and clothed in rags. They're not. They're happy. Ask them."

is that it no longer bothers to tional benchmark of hours per page (see inset). Lack Carew says: "Once we got consistently under one hour per page we couldn't see what the figure told us."

On the streets, the reader press feels the benefit: when Sebastian Coe won his Moscow gold medal, the edition carrying the news was on sale within 11 minutes of the end of the race. On Saturdays, it once took 50 men to update the league tables for the football edition that remains a good source of revenue in Nottingham. Now, computer programs get cracking on the data as results are keyed in by two men. The league tables of all four divisions are spewed out of the photosetter in just 15 seconds, and the edition is running within seven minutes of the final whistle.

This compares with the 12 minutes it takes one typical hot-metal provincial newspaper to previously. But where Wolver- popped along to the newsroom do the same job with scores of hampton has 88 staff in the com- from the production depart, people and only get to the Journalists use visual display ritory into Kidderminster and posing room, Christopher Pole- ment, where he works as a plate-making stage.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

As technology has freed people, so Pole-Carew has moved them to produce other things, such as weeklies and free newspapers.

Overall, the aim is to be as market-oriented as possible. Pole-Carew believes that this can only be achieved through advanced technology and freedom from the constant labour relations wrangles that plague most British newspapers.

So how has Wolverhampton got so far, given union and A measure of Nottingham's demarcation constraints? Mark state of technical development Kersen believes that a display demarcation constraints? Mark managerial determination measure efficiency by the tradi-tional benchmark of hours per pay dispute helped a great deal. The NGA stopped publication demarcation has made it diffi- for one day, the first time the cult to decide whose hours Express and Star had failed to should be included and, as Pole- appear in 106 years. Management responded by running without the NGA, with Kersen himself, a former editor of the paper, operating a printing

Favour

This may well have changed minds on the shopfloor about co-operating with change. any event, it does not need a genius to see that, given the will, Wolverhampton could stop taking the current detour and thus leave the NGA powerless. Faced with that, although management says that such thinking is far from its mind, it is easy to see why people might conclude the unions would do better to deal.

Kersen says "Only by maintaining continuity of publica-tion can you maintain sales, profitability and, ultimately, jobs. We were doing them a favour. Over different periods

Generations of technology

The critical measure of productivity and efficiency is the composing room resource time to metal. the number of man-hours needed to make each page-measured from receipt of

written-up copy to platemaking. Traditional methods are those followed in most of Pieet Street. Type is cast in metal, collated by hand, and then assembled manually into pages. Depending on throughput, page contents and design, standards of management, and the state of labour relations, this usually consume between 10 and 30 hours per broadsheet page. Broadsheet is this newspaper's

First generation new technology operates in many pre-vincial centres. Type is set on film, with a computer performing functions such as hyphenation and justification (producing straight right hand edges to columns of type). The photo-setter is driven by a computer to produce lines of type many times faster than can be done in hot metal. Films are developed and printed automatically and the resultant bromides are then pasted up in page form. Photo-setting, and the simplified assembly stage of pasting-up.

Second-generation new technology operates in much of the U.S., increasingly on the Continent and, in Britain, at the Nottingham Evening Post and, to a limited extent, at the Wolverhampton Express and Star. Here, information gatherers, whether they be journalists or advertising salespeople, type into visual display units and feed directly into a computer, ready for production. Newsrooms become "electronic" and "paperless." The elimina-tion of the need to re-key original copy has usually halved composing room resource times

yet again. Third generation new tech-ology is well on the way to full development. Here, page design and editing is carried out on VDUs and; when completed, the computer uses lasers to produce the pages concerned directly onto the plates for the press. A half-way stage, with computers producing finished pages from which plates can be made conventionally, exists already and ls in use in many places in the

in the last three or four years we have published without the NGA, the machine room (where the newspapers are printed) and the National Union of Jour-

Before the NGA dispute, dis-cussions on the electronic newsroom had been dragging on for 18 months: Afterwards, real progress began to be made. even though the NGA is not

"Our line with the NGA was that we would keep them in touch throughout." Kersen says. "The NUJ knows we weren't threatening the NGA and agreed to use the equipment. We have now agreed to talk further about future develop-ments. What is important from here on is to engineer the future between us.

Kersen says no one at Wolverhampton has ever lost his job because of new technology and he wants to keep it that way. Editor Keith Parker sees long term possibilities of rede-ployment of compositors onto the sub-editors' table, as has been done in many U.S. newspapers, where advanced key-boarding and correcting skills have been required for electronic editing systems. Kersen also sees hope of a national solution to demarcation problems through printing union mergers, such as those currently being talked about between the NUJ and the NGA and between

NATSOPA and SOGAT. Judged in terms of everywhere else but Nottingham, Wolverhampton is already very efficient with a composing hours per double page (its during peak periods and though not yet up to Nottingham's speed, Saturdays see each football league division updated in 55 seconds.

Despite the differences in labour relations policies, it is the similarities companies that are striking. Each has its own subsidiary to design its own software for the new technology. Each markets these software services elsewhere, in Pole-Carew's case successfully in Europe.

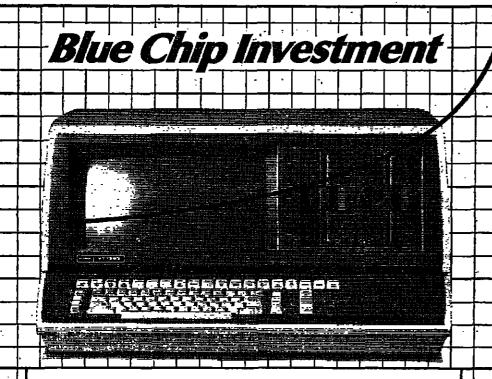
Each company is in private ownership, though at Wolver-hampton, also family-owned, there are employee share-holders. Private ownership has meant that each company has long experience of ploughing back profits to promote better products and greater productivity. As Kersen puts it: "The view has always been that if you make the paper right, then everything else will come right. including the bottom line. In the end you have to keep spending money to improve the product."

Laser

In 1979, each declared pre-tax profits of about 14 per cent on turnover. Each reported depreciation charges of nearly film, though in Nottingham's case turnover at £12.278m was just under two-thirds of Wolver-Pole-Carew hamoton's and period for electronic equipment from five years, the same as Wolverhampton, to three.

The other similarity is that

each management displays flerce determination to achieve change -and that must be a key factor room resource time of only 4.04 in their reaching the points that they have. However, pages are tabloid, or half- Wolverhampton's slower, nego-broadsheet, in size). The figure tiated progress will probably ranged up to 13 in hot metal. mean that when the next stage A new page heads for plate- of new technology becomes making every three minutes available, Nothingham's Pole-Carew is going to be way out on his own ahead of the field again. "There's three years to go to laser-cut plates," he says. "I can



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In accordance with the provisions of the Notes, notice is hereby given that for the interest period from May 11, 1981 to November 12, 1981 the Notes will carry an interest Rate of 191/2 % per annum. The interest payable on the relevant interest payment date, November 12, 1981, against Coupon No. 3 will be U.S. \$10,020 83 per U.S. \$100,000 Note.

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UNDER A £5.7m management one mile from the present will be of concrete and struction by the London Postal Leavesden Road, which is tions, with brick cladding and readen to the contract of the cladding and cladding and cladding and cladding and cladding and cladding and claddin Region, the Head Post Office at inadequate for the maintenance metal roof finishes. Watford, Hertfordshire, will be of the many vans based at extended and refurbished. Watford. Work began recently and completion is due in April 1983.

TOPHER UN

It comprises the refurbish- a new loading platform addedment of an existing parcels sorting office, the building of a two-modate the handling of letters storey administration and welfare block and motor transport letters and parcels to be workshop, access roads, car mechanised. All the postal parking, landscaping, and operations at Watford will thus external services.

watford's letter post opera- ing.

Watford's letter post opera- ing.

The welfare and administrations and administration are at present accommodated in old tion block will provide a total and unsuitable buildings about floor area of about 5,000 three miles away from the sq. metres and have a wide

When the existing parcels sorting office is refurbished and and permit the sorting of both

feed pipes. The architects are McDonald Hamilton and Montefiore, London, and the consulting engineers Trevor Crocker and parcels sorting office and about variety of internal finishes. It Partners, Mitcham, Surrey.

A. Monk to canal locks

The motor transport work-MAJOR CIVIL engineering conshop, L-shaped in plan and covering an area of about 1,600 tracts in Yorkshire and panies. Buckinghamshire awarded to A. is £11.7m, sq. metres, will be steel framed Monk and Company, total more with metal cladding and roof than £4.4m in value. For the decking. The equipment will British Waterways Board the include a roller brake testet company is to reconstruct two and high-pressure washing plant External works will comcanal locks near Mexhorough under a contract worth more prise a vehicle washing bay and than £1.1m. a fuel island with tanks and

On separate sites at Mex-borough Top and Swinton, the work includes demolition of the old locks and building new lock control cabins and related services. The new locks will have sheet-steel piled walls and reinforced concrete chambers and

In Buckinghamshire, on a length of the M1 near Newport Pagnell, Monk is to undertake a £3.308m contract awarded by the County Council involving maintenance of both carriageways north of Junction 13.

ROOFS OFTEN need to be repaired in wet weather condi-tions when it is not possible to conventional waterproofing products. Evode Roofing of Stafford (0785 45121) says it now has an emergency roof repair compound specially developed for use in such condi-

It is called Speedseal and is described as a trowelling-grade mastic which can be used for temporary repairs and waterproofing of wet and dry roof surfaces, gutters and flashings. The compound is supplied in 10-litre containers and can be

£11.7m sea defence projects

tion contracts, one in the Isle of Man and the other in Northern Ireland, have been awarded to French Kier com- Pier, a new navigation dolphin, panies. The combined value station and related water

Housing by John Laing

In the Isle of Man the contract, worth £9.8m, is for a new rock-core breakwater, 370 metres long and reinforced by 23-tonne stabits (unevenly shaped precast concrete blocks Partners. with holes through the centre)

NEW HOMES are to be built

and others repaired and

refurbished in the West Country and South Wales under three contracts total-

ling nearly £3m awarded to

the south-west region of John

In Bristol, work has just

begun on a new-build and refurbishment contract worth

more than £1m awarded by

the Bristol Churches Housing

Association for a conservation scheme involving 52 llsted

homes in Lodge Street and

Trenchard Street near the

This is believed to be the

West of England and comple-

The listed buildings are

Georgian houses designed

nearly 200 years ago by

Thomas Paty. They are to be restored and converted into

one shop and 33 flats for up

tion is due late next year.

present building

Laing Construction.

city centre.

to 55 people.

biggest

The work includes reclamation between the new breakwater and the existing Battery a seawater intake, a pumping

Work started last month and 1983. The consulting engineers are Sir William Halcrow and

In Northern Ireland, Charles

Nearby, a three-storey block of 15 flats will be

erected. while four three-storey houses will be built

inside the existing walls of

the 190-year-old St. Joseph's

Chapel. A private land-scaped garden will be enclosed by the development.

The architects are Ferguson

Mann and the consulting

engineers Mander Raikes and

In Taff Terrace, Grange-town, Cardiff, Laing has started work on 58 new flats

and two bungalows in Riley-

form timber-framed construc-

tion under a contract worth more than £900,000 awarded

by Cardiff City Council. The

work, due for completion

drainage, landscaping, street

The design is by J. T.

Ineson, architect for South

Glamorgan County Council.

acting as agent for Cardiff

includes

spring,

lighting, and road finishing.

Marshall

next

of the French Kier Group, has been awarded a contract worth about £1.9m by the North Down Borough Council for the construction of a 240 metres long North Pier breakwater at

Bangor Harbour. The overall height of the structure from seabed will be completion is due in October about 13 metres and it will have a reinforced concrete deck about 8 metres wide. The consultants are Kirk, Mclure and

contracts

Counties Property.

spring.

A two-storey office block with

retail shops at ground level is to be built in The Broadway, Stanmore, Middlesex, by Farrow

Construction, a Lovell Construc-

tion company, under a £1.5m

contract awarded by Capital and

Work has begun on the pro-

ject, planned round a quad-rangle at the junction of The Broadway and Dennis Lane, and

is due for completion next

I'V centre DEMOLITION WORK on the Offices and

site of the headquarters for TV AM (breakfast TV) in Hawley Crescent, London, NW1, is due to start on May

Wiltshier

Engineering contractors to the

oil gas chemical

process and

Dower generation industries.

building will be in a conservation area fronting the Regents Conal and completion is 1982 with the studies possibly operational before then. Wiltshier (Management) has won the contract.

Architects for the project are the Terry Farrell Partnership with Peter Brett Associates as engineers and Sandy Brown Associates as acoustic and services consultants.

Power at

will consist of 17,000 sq ft of floor area and the retail area 20,000 sq ft. A reinforced struc. Electrical power needed on ture on piled foundations, it will site for the five-year construchave an ashestos cement roof. tion period for the new Lloyd's of London building in the City frames, and gas central heating. will be supplied through equip-The architects are the GMW Partnership, the consulting £350,000 contract was awarded engineers Leonard and Partners, by Bovis Construction.

Three awards to Wimpey

THREE CONTRACTS totalling Grimshaw and Partners and the services and completion is due nearly 25m have been awarded consulting engineers Peter Brett at the end of next February. to Wimpey Construction UK. The largest, valued at £2.7m, is for two warehouses providing a fotal floor area of about 14,950 in early March next year. In High Road, Whetstone, sq metres to be built near London N20, Wimpey is to carry out a design and build contract sq metres to be built near Bristol for Electricity Supply Nominees, Millbank, London

The buildings will be situated at ESN's new development, known at Aztec West, near the M4/M5 motorway junction at Almondsbury.

They will have structural steel frames on concrete pad foundations, felt roofs on metal decking, concrete floors, and external walls of aluzinc panel-

TESTS being carried out for Trent Concrete, Nottingham, by the Civil Engineering

Department of Nottingham University are in the final

stage of development for the latest type of connectors for

the company's T6 precast con-

crete structural components. The new connectors are

expected to have increased

load-bearing capacities which

will permit still greater free-

dom of planning when the T6

methods of construction are

boited steel-to-steel connectors

Introduced in 1967, the T6 method incorporates special and Associates. Work is due to begin tomorrow for completion

valued at more than £1m for Michael Gerson (Investment). It comprises a 2,200 sq metres warehouse with a two-storey attached loading dock, concrete roads, retaining walls and drain-

The warehouse foundations, on a sloping site, are to be formed with fill within retaining walls, carrying a steel frame superstructure 15. metres high with a portal roof. Cladding will ng. be of plastics-coated metal. The The architects are Nicholas contract includes all related

> rationalisation and economy in factory production methods while allowing flexibility in

the dimensional planning of a

The Nottingham University

tests are being carried out over a five-mouth period. More

than 40 major load tests are

planned, each involving the

carefully monitored perform-

ance of the connectors right

As a result of the test find-

ings it is expected that higher superimposed loads and larger

planning grids will be possible

through to destruction.

building.

In Scottswood Road, Bushey, Herts, Wimpey is to carry out a housing improvement scheme valued at more than £1.2m for Hertsmere Borough Council. The project includes dismantling existing steel-framed houses to ground level and reconstituting the existing floor

Seventy timber-framed dwellings will be built on the site. They will have upper storeys clad in hanging tiles and lower storeys clad in metal with a three-coat rendering. The 48-week contract includes related external works and drainage. The design consultants are HSD Building Consultants.

applied with a builder's trowel.

Best ever results indicate underlying strength but difficult year ahead



Lord Boyd-Carpenter

Dividend maintained on increased share capital

U.K. cement developments can take full advantage of returning activity and prosperity

Western Australian prospects for 1981 look brighter

Interest acquired in United States cement company

The following are extracts from the speech to shareholders by the Rt. Hon. Lord Boyd-Carpenter, D.L., Chairman.

Last year I pointed out how great an improvement had taken place in the latter part of the year: In 1980 the position was reversed. The year opened well, with in the U.K. good building weather and the construction industry holding up well and indeed far better than most of the rest of the economy. But this time the year ended in a period of difficulty.

The results of the first half year were good and indeed at a record level. But quite suddenly at about mid-summer the activity of the U.K. construction industry as a whole fell back dramatically. And so far as our U.K. operations are concerned our activity is of course directly dependant on that of the construction industry. As a result our sales of cement and steel reinforcement fell off sharply.

The results for the year 1980 are therefore the sum of two conflicting halves - a highly successful first half and a difficult second one. The fact that despite this they disclose record profits is an indication of your Company's underlying strength. But we are not through our difficulties yet and there is a risk therefore that these results may be misleading so far as any view of the immediate outlook

With the normal period of peak building activity still ahead, it is far too early to forecast how 1981 will turn out. Although there are some small signs that the slump may have "bottomed out" re-creation of demand and the first signs of returning business confidence in the economy generally take time - some months at least - to work through all the processes and procedures to emerge as an actual demand for cement on an actual building site and may well defer their conspicuous impact until the early months of the following year. I am bound to add that it appears that the construction industry will receive disappointingly little help from Sir Geoffrey Howe's budget. Consequently, your Group has to prepare itself both for a period of modest demand for its product and in the longer term for an ability to meet a high demand.

CEMENT PRODUCTION IN U.K. It is in this light that developments in relation both to our Rochester and Southam Works have to be considered. The technologically advanced equipment and increased capacity at Rochester, which represent a very large investment, have the ability to produce cement with efficiency and economy in the use of energy. Plans for the second kiln conversion from the wet to the semi-wet process at Southam Works have taken several years to mature as a result of developing a simpler and less expensive design than was used on the first kiln. A grant to us of over £900,000 from the Government's Energy Technology Support Unit towards the capital cost was agreed in return for our making available technical data about the scheme so that it can be replicated on other wet process kilns with a similar saving in kiln fuel energy.

We are confident that with the big increase in the proportion of our output which is based upon the more fuel efficient processes, your Company's U.K. cement activities are in good shape both to endure without detriment what remains of the recession and then take full advantage of returning activity and prosperity. OVERSEAS

Our Australian subsidiary, Cockburn Cement Limited, has also not had an easy year. But the outlook in Western Australia is improving and we remain absolutely convinced that that State has a tremendous future and we are glad to think that we are in a position to enjoy a substantial share in it.

Prospects for 1981 look brighter now that the decision has been taken to go ahead and develop the North West Shelf gas and oil deposits. This has been reflected already in an increase in demand for new commercial and private dwellings and in a greater degree of optimism in the building industry.

Our overseas consultancy work in the Philippines continues to make progress

and other contracts for technical services obtained by the Group include work in North Africa and Malaysia,

Our partnership with Ciments Français and Unicem has helped us to derive considerable benefit from this close collaboration in connection with enterprises in different parts of the world and in the ever more sophisticated technology of

At the end of the year we reached an agreement under which we have acquired a one-third interest in U.S. Cement Inc. 20% of the shares were at the same time acquired by Unicem, the Italian cement manufacturer, with whom we have friendly relations, and the balance by an associate of Istituto Finanziario Industriale (IFI), the Italian investment company which is the parent company of Unicem. Our investment in U.S. Cement Inc. of just over \$5 million not only gives us practical experience in the United States cement industry but also in the context of our association with these Italian interests may well lead in due course to further joint activities. I regard this therefore not only as a useful development in itself but one with great possibilities for the future.

Your Company continues to enjoy the advantage of having a staff deeply in- . volved in its affairs. Over 90% of those who work for us in the U.K. are shareholders and we have the additional encouragement that more than half of those. who are entitled to participate in our profit sharing bonus scheme have opted to take all or part of their payment under this in the form of shares rather than in cash. All of this helps to emphasise in the minds of all of us the fact that the wellbeing of the Company is the concern of all of us.

I must once again express my gratitude to those at all levels whose loyalty, sense of responsibility and practical goodsense are seeing us through a difficult. time. They are the sort of people whom it is good to be out with in bad weather.

Boyd-Carpenter, . Chairman.

 	<u> </u>	
SALIENT FIGURES	1980	1979
	0002	2002
Turnover	4000	2000
United Kingdom	112,364	95,503
Overseas	16,111	14.969
		
	128,475	110,472
Trading Profit		
United Kingdom	14,307	12.617
Overseas	2,794	2,974
Not interest and lawest-west income	17,101	15,591
Net interest and investment income	(237)	(480)
Profit before Taxation	16,864	15,111
Taxation	2,110	2,630
Profit after Taxation	14.754	
FIOR ENG TEXALION	14,734	12,481
Earnings per Share	1 3.0p	12.3p
Total Dividend per Share	4.7p†	4.7p
•		
†On capital increased by 1 for 4 Rights !	esue.	

Copies of the Report and Accounts containing the full speech by the Chairman can be obtained from the Secretary, The Rugby Portland Cement Company Limited, Crown House, Rugby.

Evode Roofing Limited, Common Road,

Stafford ST163EH. Telephone: Stafford (0785) 45121.

ICBY (FMENT

while retaining cost effective-ness and speed of erection. developed by Trent Concrete. New computer centre

Stronger connectors

tract is worth £1.2m.

The centre will be a singlestorey brick building with a

A COMPUTER centre for tions—one for the computer Hambros Bank is to be built at hall and one for storage. A Brentwood, Essex, by Wiggins play area for local children will

the centre.

steel-trussed tiled roof. It will metres and have two main sec-ship.

Architects are Building Deoccupy about 1,800 square The Environmental Partner

sign Associates and the whole

NEWS IN BRIEF

from Scunthorpe Borough Coun- at Penplas, Swansea for CRS. cil. Norwest Holst has just Several small contracts make started construction of a leisure up the rest of the total. centre which, essentially will be a two-storey complex with a

Norwest Holst has also been awarded a £451,000 contract by the Renslade Group for the con-struction of steel-framed industrial buildings at Britannia Borough Council. Road, Waltham Cross, Hertford-

 A contract worth £1½m has been awarded to Cubits General Contracts by Union Bank of Switzerland for the refurbishment of its City of

London branch. Alterations and improvements to parts of the basement, lower ground, ground, first and second floor levels are to be

Architects · are Whinney MacKay-Lewis Partnership and quantity surveyors are Wicksteed Son & Few.

• A six-storey office block in George Street, Manchester, is to be constructed by the north western division of Fairclough Building under a contract worth £625,000 awarded by French Kier Property Investments. The building will have a reinforced

 CONTRACTS worth about £5m have been awarded to R.M. Douglas Construction.

The biggest; on which work next few months and the cement has started, is worth £2,89m and for an enriched residue recovery plant at Springfield for British Nuclear Fuels. worth Another contract,

• UNDER a £2.9m contract £1.69m, is for a shopping centre

swimming pool. Apart from the usual indoor sports facilities • Main drainage works on the there will be a solarium and a south-east industrial site adjacent to Llanwern steelworks, Newport, Gwent, will be carried out by Sir Robert McAlpine and Sons under a contract worth over £1m awarded by Newport

> • LIGHTWEIGHT aerated concrete coursing blocks are now being marketed by Aerated Concrete of St. Albans, Herts. (0727 34131).

The blocks are manufactured from Portland cement, sand, lime and a trace of aluminium

They can be used for bonding on inner leaves and partitions and for closing cavities at eaves level. They also allow the builder to course-in accurately at ceiling height and around lin tels and windows, says the com-pany. Fixing is by cut nails or coarse wood screws.

• For civil engineering work re-lated to the new 600,000 tonnes a year cement plant at Rsayil, Oman, Costain International has signed a sub-contract with the main contractor, Krupp Polysius

concrete frame and a red brick AG, of West Germany.

The work will be carried out by Yahya Costain LLC and comprise the temporary housing accommodation, roads, ancillary

structures and civil building work for the plant. It is due to begin within the plant is expected to start production towards the end of 1983. The Oman Cement Company's consulting engineers are Basse Sambre ERI, Belgium.

A 'slovenly and arrogant' aim

BY SAMUEL BRITTAN

THE VALUE of an occupational ably dull report. But the qualipension in the top quality ties of "intellectual slovenliness private sector pensions scheme and plain arrogance" of which used for Civil Service pay comparisons is most likely to be his own pamphlet. about 31 per cent of annual pay because most of the cost is paid against by the employer, who as a consequence pays him a lower-wage, and because of fiscal relief which raises basic tax

For a civil servant on an indexed pension the equivalent the private sector to offer an "most likely" cost is about 41 indexed element in pensions on This suggests a which a market value could be downward adjustment in pay to offset the greater value of civil service pensions of 10.7 per cent compared with the Government actuary's 4.6 per cent.

Sensitive

The calculation just cited comes from an Appendix to the Scott Report on public sector pensions. These cost com-parisons can, of course, be no more than a sophisticated best guess. The differential costs of both types of scheme are highly sensitive to the assumed real rate of return and rate of inflation.

Even as they stand they raise important questions, some of which the Chancellor posed last Thursday, Do people really want to devote such a large proportion of their potential in- against real fluctuations on a come to pensions? Is it sensible nationwide scale. A fall in that indution proofing should be 100 per cent for 5m public secdiscretionary in the private sector? Might not people prefer inflation proofing in both (as in France and Germany) with a and the rest of the population lower real level of pensions? Or partial indexation in both? all would do today, Would it not be better to have higher net pay and allow people to make their own provision for pensions (whether indexed or not) above the State minimum, quite apart from their

these wider problems is taken several leagues backwards by an attack on the Scott Report by Joseph Centre for Policy Studies. The Scott Committee was asked merely to value inflation-proofed pensions and Alfred Sherman, Aims of Industherefore produced a predict- try, 60p.

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University

(Ultra high frequency only). 9.52 For Schools, Colleges, 11.25

You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except Lon-don). 12.45 News. 1.00 Pebble

Mill At One. 1.45 Heads and Tails. 2.01-3.00 For Schools, Colleges. 3.15 Songs of Praise.

3.53 Regional News for England (except London), 3.55 Play School (as BBC2 11.00 am), 4.20

ACROSS

9 Artist joining island race blames pedals (3-5)

10 Wilts doctor ought to stick

12 Stops signs of autumn (6, 3)

13 Refuse to sweat abnormally

14 Afraid earnings could include

19 Expert sound of organic com-

24 Relax with the French ram

25 Pass even fly (2, 2, 5) 27 Urge an eccentric to discon-

1 Novelist outside left con-

sidered only just (6)

16 Foolish day to bed fruit (7)

something fancy (4)

to strike (4)

(3, 2)

nect (6)

1 Lord's appeal? (4,4)

to operations (6)

5 Rain gauge (6)

Mr. Sherman accuses the committee more aptly characterise

It is quite true that no compared with what it would hypothetical calculation of otherwise be. The wage or probable costs and benefits can salary earner is not conscious put a definite value on the of paying anything like as much certainty of inflation - proofing against the risk that an individual private sector will provide scheme inflation proofing at all. For this very reason the Scott Comrecommended the mittee Government to issue indexed securities. This should enable

> So far, however, from welcoming the new indexed bond, Mr. Sherman has been propagandising Thatcherite politicians against indexation for the last seven years and his latest work is but a culmination. When he asks "How dare the Committee" try to "deceive the Government?" by saying that long-term indexed bunds would "reduce uncertainty," one is tempted to reply "How dare Mr. Sherman be so confused on the

distinction between nominal

Contributory-

and real?

Indexation can provide insurance against fluctuations in the | the Roudeye in many years, but value of money. It cannot provide insurance for all against real fluctuations on a the real national income in a non-inflationary world, where employees and entirely pensioners had guaranteed claims in ordinary money, would create just the same tensions between pensioners that fully indexed pensions for

The best way to diffuse the civil servants' pension issue is to put at least the indexation element on a fully contributory basis so that they can be seen to be paying for what they get, This will be possible when more Unfortunately, discussion of private indexed schemes have appeared, which in turn will require the issue of more indexed bonds and the phasing Mr. Alfred Sherman, director out of limitations on their of Studies at the Thatcher ownership: in other words the opposite course to Sherman's,

Pension Time Bomb,

Craven's Newsround, 5.05 Blue

Peter. 5.35 The Amazing Adven-

5.40 News. 5.55 Nationwide (London and

9.25 The Monday Film: "The Cincinnati Kid," starring

All Regions as BBC1 except

Cymru/Wales — 1.45-2.01 pm Pila Pala 5.55-6.20 Wales Today.

2 Verbal fireworks by Henry as

6 Severe criticism difficult to

8 Particulars sent with good

11 Old king coming from Fanny

Bit of brass, perhaps, to en-

(4, 4)
SHAPE or some other military HQ (8)

20 Express hesitation on leave

The solution to last Saturday's prize puzzle will he published

with names of winners next

town some sugar (6)

7 Lords seat of power (8)

from verbiage (5) 4 A romp? Ah run amok in ancient vessel (7)

spell out (4.5)

wishes (8)

Adams (4)

trance (9)

therefore (4) 21 Horse after docking (7)

pound (7)
21 Degrees to which hours start

17 Trip to hospital dupes . . .

28 Post supporting graduate 22 Academic leaves Yorkshire

29 Boy taking cricket practice 23 Don't despair of the Plough

30 Give hand gin? Nonsense! 26 Fruit page filled out (5)

well (6)

Steve McQueen.

11.05 Alan Price. 11.38 News Headlines.

11.40 Education Shop.

South East only).

6.20 Nationwide. 6.55 Ask The Family. 7.29 Star Trek.

9.80 News

as follows:

F.T. CROSSWORD PUZZLE No. 4,565

The increasing irrelevance of blasphemy

AMONG A large number of lie morals, Mrs. Mary White- the hardier Scots have retained people who are as devoted as house, against the editor of Gay it in their law. the rest of us to freedom of experience of the pression, there often appears of described in the charge posed cherished civil liberties languid and myopie.

shouts down speakers at univer- the proceedings being required sity lectures; nor is govern-ment responsible (except by omission perhaps) for the threat No d to the very life-blood of newscurb the utterances of the irrelished Church of State. The law of blasphemy, which

was developed by the judges in the 18th and 19th centuries, is an example of a common law dead letter."

crime that restricts our free- The Gay

dom of expression. The Law ended up with Commission's scholarly and illuminating working paper on the subject published last week criminal law, at least not in the hands of private prosecu-

In 1977 a prosecution for blas-phemy was launched by that criminal calendar of this coun-self-appointed guardian of pub-try, although doubtfully whether

pression, mere vited appears as "obscene") written by Pro-rived from a traditional liberal fessor James Kirkup. The poem habit of assuming that the dan- (a tasteless piece of writing, to goes to our freedoms come in- say the least) was accompanied variably from government Un- by an illustration depicting wittingly, these commentators Christ at Calvary being homo-direct all their energies towards sexually interfered with by 1 restrictions emanaling from Roman soldier. It was a private was unprepared to put into to be a modern blasphemy law government; thus what little prosecution because the Direct action when asked by Mrs. it would need to cover religions attention is devoted to non- tor of Public Prosecutions degovernmental threats appears clined to take the case over. But the High Court sanctioned It is not government that the prosecution, leave to bring

No doubt the Director shared the Law Commission's view that papers. More topically relevant, the crime was obsolescent, if government does not seek to not obsolete. After all, no less fundamentalist than Lord lig. 3, even though the Church Denning had declared, as long of England remains the estab- ago as 1949, that there was no longer a danger that denial of Christianity was liable to shake the fabric of society and that the offence of blasphemy is a

where the defendant is a news-

The Gay News prosecution ended up with a conviction in the House of Lords, although their Lordships were divided on the question whether the crime is a tart reminder that there is of blasphemous libel required no pressing social need for this proof of the publisher's intended instrument of the tion to attack the Christian religion so violently and scurrilously as to insult its adherents: It was conceded that

As with so many of our sup- to the Law Commission to posed cherished civil libertles codify the criminal law. And these days, the case was swiftly despatched off to Strasbourg to the European Commission of ing difficulties (and not just Human Rights. Just before technical ones) presented them-Easter, the Government (which now has to defend a law that its main law enforcement agent example, that if there were

law at present possesses serious phemies that are obscene, as was defects, there is a general remit claimed for the Kirkup poem. when the Commission examined how that could be done draft-

THE WEEK IN THE COURTS

tain public order.

BY JUSTINIAN

Whitehouse) put in its observa-tions on the admissibility and Church of England. But how merits of Gay News' application. does one define a religion? Broadly speaking, the Govern-ment accepts that the law of blasphemous libel constitutes a restriction on freedom of expression which is guaranteed by Article 10 of the European Convention, but it justifies the continued existence of the law under the exception to that Article, where the law is necessary in a democratic society. That necessity is dictated by

lation is well capable of dealing with threats to public order: the prevention of disorder, the protection of morals and the protection of the rights of others. On each of these scores indeed some forms of plasphemous conduct (such as religiously insulting language in public places and in places of the Law Commission has pulled the rug from under the Governworship) are amply covered. ment's feet.

Apart from the fact that the

Penal sanctions, no doubt, may be justified in some people's eyes to counter public insults which deeply wound or It is acknowledged, for outrage the feelings of others,

particularly on religious mat-ters. Religious sensibilities are arguably unique in character, deserving of special protection. However, the fact that for more than 50 years, until the Gay News prosecution, no-one

to dispose of any suggestion that in modern times the offence is justified upon grounds of public morals or public order, or even to secure the rights of others. Added to which there are very few public Would the Church of Scienexpressions of hostility to retology or the Moonies be able ligious beliefs that are not tied to claim the law's protection? to racial and ethnic discrimina-Originally, the blasphemy laws were designed to prevent tions. Anti-semitism is amply covered by the race relations legislation which has been prompted by discernibly grow-ing social tensions. No such subversion of the state (they grew out of being a species of the law of sedition) and to sustensions exist purely along

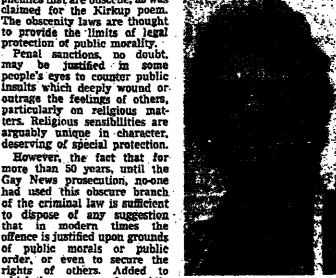
The obscenity laws are thought

to provide the limits of legal

protection of public morality.

In the comparatively stable Although the Law Commissociety of today, existing legission has declared its own un-equivocal view in favour of the demise of the blasphemy laws, its views are only provisional. The Commission genuinely seeks comment upon and criticism of its arguments and con-clusions. Primarily, it seeks Again, the obscenity laws might adequately cater for those blasthe public answer to the ques-

religious lines.



MRS. MARY WHITEHOUSE A private prosecution

tion whether the crime of blasphemy has a useful role to play in society today. Commission

Before the garners the responses and itself responds in a final report, the European Commission Human Rights will very likely have resolved the issue in fav-our of abolition. The British Parliament will then be activated, as it is now in that part of the Contempt Bill that gives effect to the ruling of the European Court of Human Rights in the Sunday Times thalid-

WYNDRAM'S. S. Q1-836 3028. Credit tard blos. 379 7565. Mon.-Fri. 8. Sats. 6 & 8-45. Dario Fo's tarts ACCIDENTAL DEATH OF AN AMARCHIST.

CINEMAS

CLASSIC ENTERTAINMENT Teledate 01-200 0200

CLASSIC 1, 2, 3, Heymarine (Piccadilly Circus Tubel, 01-239 1327. 11 SUPERMAN II JAJ 10 Ogby Stereo, Pross. 12-00 (not Sun.) 2-40, 5-25. B.20. 2: LAST 3 DAYSI CHARLIE CHAN AND THE CURSE-OF THE DRAGON QUEEN (A), REVENGE OF THE PINK PANTHER (A), Cost. Perts. 1-40 (not Sun.) 3.20.

.00. : RAGING BULL (X) in Dolby Stereo regs. 12.00 (bot Sen.), 2,85, 5,36, 8,25

LASSIC 1. 2, 3. 4, 5, Onford St. 01-636 0310: Opp. Tottenham Crt. Rd. Tube.

7.30. 2: SCANNERS (X). Progs. 1.30, 3.40, 5.55. 8.15. 3: ORDINARY PEOPLE (AA). Progs. 12.50. 3.20, 8.25. 4: LAST 3 DAYS! THE LONG GOOD FRIGAY (X). Progs. 1.30, 3.50, 6.10.

S: AIRPLANE (A), Progs. 1.00, 3.00, 5.00, 7.00, 9.00.

CLASSIC, Leicoster Square, 01-930 5915. LAST 3 DAYSI RAD TIMING (X), 12-40 (not Sun.), 4-35, 8-25, THE ERUTE (X) Sun. 6 Wk. 2-45, 6-40.

CURZON. CUZZON SKreet. W1. 499 3737.
4th GREAT MONTH! BURT LANCASTER
SUSAN SARANDON IN LOUIS MALLE'S
ATLANTIC CITY (AA). Film 2.00 (ex.
Sun.l. 4.05. 6.20. 8.40.

ODEON HAYMARKET (930 2738-2771). CHARIOTS OF FIRE (A). Sep. progs. dly. 2.25. 5.50, 2.55.

ODEON LEICESTER SQUARE (930 5111).
THE POSTMAN ALWAYS RINGS TWICE
(XI. Sep. Progs. Drs. Open Sun-Sat 1.0.4.15, 7.30. All Seats Bookable in advance at Theatre Box Office or by Box.

ODEON MADE:

PRINCE CHARLES, Letc. Sq. 437 8181.
British Premiere Presentation CALIGULA
(X1. Sep. perfs. dly (Int. Sun) 2.15, 5.30.
8.45. Late show Fri., Set. 11.55. Seen
bioble. Lit'd bar.

y air-conditioned. THE FUNHOUSE (X), MY BLOODY LENTINE (X), Props. 12.40, 4.05.

York set to surpass Chester

meeting provided some of the most absorbing racing seen on even that sport which matched that for Newmarket's Guineas meeting is likely to be surpassed by events at York in the next

classic trial to date, the Mecca-Dante Stakes, York stages potentially fascinating races for the Musidora, the Yorkshire Cup, the Duke of York Stakes. the Norwest Hoist Trophy and the David Dixon Sprint Trophy. Tattersalls and Freshfields Holidays are also sponsoring at the meeting, and their support has helped push the prize

money on offer over the three

days on the Knavesmire to over

Although Piggott is so far without a mount in the Mecca-Dante. York's main meeting should provide him with another memorable stint at his favourite course. However, the champion elect is likely to be relying heavily on his brother-in-law. Robert Armstrong, who notched a remarkable six successes from

Scotland - 12.40-12.45 pm The

Northern Ireland - 3.53-3.55

pm Northern Ireland News, 5,55 Scene Around Six. 6.20-6.55 Land

"n' Larder. 12.05 am News and Weather for Northern Ireland. England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (New-

castle); Look North West (Man-chester); Midlands Today

(Birmingham); Points West (Bristol); South Today (South-ampton); Spotlight South West

BBC 2

4.50 pm Open University. 6.55 Play Tennis. 7.20 Mid-Evening News.

7.35 Plants in Action. 8.00 Arthur Negus Enjoys.

8.15 The Two Ronnies. 9.60 The Paul Daniels Magic

Show.

9.40 The Making of Mankind.
10.30 The Light of Experience.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You A Story.

12.10 pm Rainbow. 12.30 Home and Design. 1.00 News, plus FT Index. 1.20 Thames News. 1.30

Crown Court. 2.00 The Riordans. 2.30 Monday Matinee: "Run A Crooked Mile." 4.15 Aubrey. 4.20

Graham's Ark. 4.45 Spectrum.

8.30 World in Action: a look

at the arms race in

and Mrs.

5.15 Money-Go-Round. 5.45 News. 6.00 Thames News.

6.35 Crossroads. 7.00 Nature Watch.

8.00 Chintz.

7.30 Coronation Street.

9.00 The Sweeney. 10.00 News. 10.30 "McCabe

6.40-7.55 am Open University. 11.00 Play School

Weather for Scotland.

Scottish News. 5.55-6.20 Reporting Scotland, 12.65 am News and except at the following times:

Cheggers Plays Pop. 4.40 The 6.55-7.20 Heddiw, 12.05 am News All-New Popeye Show, 5.00 John and Weather for Wales,

£200,000 for the first time.

LAST WEEK'S Chester Cup only 20 runners at the track in Fact and To-Agori-Mou will be aboard his brother-in-law's

champion's stable companion, In addition to featuring the In the Norwest a year ago, season's most competitive Moorestyle won, all out, by only

RACING

BY DOMINIC WIGAN

three-quarters of a length from the subsequently disqualified Home Ground.

Piggott's other mounts at the meeting, which begins tomorrow and ends on Thursday, include Fairy Footsteps tomorrow's feature, the Musidora Stakes, and Ardross. who returns to action in the closing afternoon's Yorkshire

Looking ahead to the weekend, the last two winners of the Two Thousand Guineas, Known

12.40 am Close: "Sit Up And Listen" with Enoch Powell.

All IBA Regions as London

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. 12.30 Monday Film Matines: "Don't Take it to Heart," starring Richard Greene and Patricis Medina. 5.15 University Challenge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 10.30 Anglia Reports. 11.00 Superstar Profile. 11.30 Rockstage. 12.30 am Reliaction.

ATV

1.20 pm ATV News. 12.00 The Monday Metines: "A Place of One's Own," starring Margaret Lockwood, James Mason and Barbura Mullen, 3.45 Money-Go-Round, 5.15 Mr. and Mrs. 6.00 ATV Today, 10.30 Loft, Right and Centre. 11.10 ATV News, 11.15 Rockstage, 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "Panic In Echo Park." 3.45 Money-Go-Round. 5.15 Diffrent Strokes.

6.00 Lookaround Monday. 6.15 Mery Chipperfield and Friends. 8.30 Mr. and Mrs. 10.30 Conference Report (Scottath Conservatives). 11.30 Rockstage. 12.30 am Border News Summary.

CHANNEL

CHANNEL

1.20 pm Channel Lunchtime News,
What's On Where and Weather. 2.00
The Monday Matinee: "The Catcher."
3.45 Money-Go-Round. 5.15 Mr. and
Mrs. 6.00 Channel Report. 6.20 Cartoontime. 8.30 Mork and Mindy.
10.28 Channel Late News. 10.36 Target Bowls. 11.05 Mind Over Matter.
11.35 Rockstage. 12.35 am News and
Weather in French.

GRAMPIAN

GRANADA

HTV

back in competition. The On Thursday, Piggott will be fortuitous 1980 winner, Known Fact, renews rivalry with Moorestyle in the Duke of York Dalsann in Newbury's Lockinge and bidding to lift the Norwest Stakes; while To-Agori-Mou will Holst Trophy on the European again face Mattaboy as he attempts to give Harwood an unprecedented and probably never to be repeated English, French and Irish hat-trick of successes in the Two Thousand Guineas of those countries.

This evening Piggott will be bidding to consolidated his posi-tion at the head of the jockeys' championship through several well-fancied mounts at Windsor, where Mardi Gras looks to the the safest proposition. Geoff Baxter's mount showed plenty potential on a racecourse debut behind House Pitch at Kempton last month and she should lift the Blue Charm Maiden Stakes from a highly

favourable draw.

WINDSOR 6.15-Mardi Gras*** 6.40-Spiky Bill 7.05-Chabrias*

Mrs. 6.00 Report West. 10.28 HTV News. 10.30 Quincy. 11.30 Rockstage. HTV Cymru/Wales—As HTV West except: 10.05-10.20 am Cymru A'r Mor. 11.05-11.20 Mwy Neu Lai. 12.00-12.10 pm Flalabalam. 2.00-2.30 Hamdden. 4.15-4.20 Hiccup Hound. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

10.30 World in Action. 11.00-T1.30 The Brains International Matchplay Darts

SCOTTISH

1.20 pm News headlines and Road and Weather Report. 2.00 Monday Mathase: "Kenner." 3.45 Money-Go-Round, 5.15 Emmerdale Ferm. 6.00 Scotland Today, 6.40 Crimedesk. 10.30 Conference Report—Scottish Conserva-

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 "Foreign Exchange," starring Robert Herton. 3.45 Money-Go-Round. 5.15 Welcome Back Kotter. 6.00 Day by Day. 10.35 The Butlin's Southern Darts Classic. 11.05 Mind Over Matter, 11.35 Rockstage.

TYNE TEES

-Honest Opinion** 8.05-Little Stareby 235—Airstream

APOLLO Shaftesbury Av. CC. S. 437
2663. Evenings 8.15. Fri & Sat 6 &
8.45. DIANE LANGTON BEN CROSS
1'M GETTING MY ACT TOGETHER

CHICNESTER Festival Theatre. 0243 718312. Seasons aponsored by Martini & Rossi Ltd. Claire Bloom in Chekhors Masterpiece THE CHERRY ORCHARD. Evgs. at 7.0. Frt. & Sat. 7.30. Mats. Thur. & Sat. 2.30.

COMEDY THEATRE S. CC. 01-930. 2578.
Last Two Weeks. Evenings 7.15.
Mats. Thurs. 2.00 (note early
stard). The National Theore smass-hit
production from the Cortesion of
ARTHUR MILLER'S THE CRUCIBLE.
Directed by BUI Bryden.

TYNE TEES
9.20 m The Good Word, 9.25
North East News, 1.20 pm North East
News and Lookaround, 2.00 MoneyGo-Round, 2.30 Monday Matines: "The
Bliss of Mrs. Blossom," starring
Shirley MacLaine and Richard Attenborough, 5.15 Mork and Mindy, 6.00
North East News, 6.02 Mr. and Mrs.
6.30 Northern Keport, 11.00
SWAT, 12.00 Christian Ald. COMEDY THEATRE 01-830 2578. CC. BOX OFFICE: OPEN. The Award Winning Musical HR BILLY BISHOP GOES TO WAR. Prevening from May 29th. OPENS JUNE 3rd at: 7.00

ULSTER

1.20 pm Lunchtime. 2.30 Monday
Matines: "The New Original Wonder
Woman," sterring Lynda Carter. 3.45
Maney-Go-Round. 4.13 Ulater News.
5.15 Mr. and Mrs. 6.00 Good Evening
Ulster. 10.29 Ulster Weether. 10.30
The Irish Factor. 11.00 A New Kind
of Family. 11.30 Beduine. WESTWARD

GRAMPIAN
9.25 am First Thing. 1.20 pm North
News. 2.00 Monday Matines: "Fisming Frantier," starring Stewart Granger.
3.45 Monsy-Go-Round. 5.15 Mr. and
Mrs. 6.00 North Tonight. 6.30 Country
Focus. 10.30 Conference Report—Scottish Conservatives Party conference in
Perth. 11.30 Rockstage. 12.30 am
North Heedlines. 1.20 pm Westward News Headlines,
2.00 The Monday Matines: "The
Catcher." 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round, 5.16 Mr.
and Mrs. 8.00 Westward Diery, 10.32
Westward Late News. 10.36 Target
Bowls. 11.05 Mind Over Matter. 11.35
Rockstage. 12.35 am Feith for Life.
12.40 West Country Weather and Shipping Forecast.

1.20 pm Grands Reports. 2.00 Money-Go-Round. 2.30 Monday Matines: "Destiny of a Spy," starring Lorne Green. 5.15 Mr. and Mrs. 6.00 Granda Report on the Road. 10.30 The Monday Film: "Charley Varrick," starring Walter Matthau. YORKSHIRE

1.20 pm HTV News. 2.00 Money-Go-Round, †2.30 The Monday Metinee: "Two Way Stretch," 5.15 Mr. and Miller," starring Warren Beatty and Julie Christie.

12.55 am.

RADIO 4

RADIO-1 3 He leaves the Gaelic free

RADIO 2

(S) Stereophonic broadcast

† Medium Wave

5.00 am As Radio 2. 7.00 Mike Reid.

9.00 Simon Bates. 11.00 Andy Peobles.

12.30 pm Newsbeat. 12.45 Paul Burnett.

2.30 Dave Lee Travis. 4.30 Pater Powell. 7.00 Stayin' Alive. 8.00 Riche Skinner. 10.00-12.00 John Pael (S).

K.A.D.10 Z
5.00 am Ray Moore (\$), 7.30 Terry
Wogan (\$), 10.00 Jimmy Young (\$),
12.00 John Dunn (\$), 2.00 Ed Stewart's
Request Show (\$), 4.00 David Hamilton (\$), 6.00 David Symonds with
Much More Music (\$), 2.00 Folk
On 2 (\$), 9.00 Humphray Lyttelton
with the Best of Jazz (\$), 9.55 Sports
Dask, 10.00 Towa and Country Out Dask. 10.00 Town and Country Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Trucker's Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3 RADIO 3
6.55 am Weather. 7.08 News. 7.06
Morning Concert (\$), 8.00 News. 8.05
Morning Concert (continued), 9.00
News. 8.05 This Week's Composer.
Monteverdi (\$), 10.00 Dmirri Alexaev
piano recitei (\$). 11.30 Two Haydn
Quartets (\$), 12.15 pm Mesalaen and
Ravel song recitai (\$), 1,00 News.
1.06 BBC Lunchtime Concert (\$), 2.00
Motinee Musicale (\$), 3.00 Pianists
in Profile (\$), 4.00 New Records (\$),
4.55 News. 5.00 Mainly for Pleasure

News. 6.40 News, including Financial Report. 6.30 Just a Minuts. 7.00 News. 7.05 The Archers. 7.20 Start tha Week with Richard Baker. 8.00 The Monday Play (S). 9.30 Keleidoscopa. 9.55 Weather. 10.90 The World Tonight. 10.30 Science Now. 17.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Perliament. 12.00 News.
5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincanz Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Mova. 6.33 Inside London. (S). 7.00 English Chamber Orchestra concart, part 1 (S). 7.30 Dirty Friends (short story). 7.50 Concart, part 2 (S). 8.40 Three Italian Writers. 9.30 "Meedames de la Halle," Operatie in one act by Jacques Offenbach (S). 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Alessandro Scarlard (S). VHF Only-Open University: 6.35-6.55 am and 11.15-11.55 pm and for students in Scotland, Wales and Northern Ireland only: 11.55pm-12.55 am.

RADIO 4

6.00 am News Briefing, 6.10 Ferming Week. 8.25 Shipping Forecast.
8.30 Today, Including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 9.30 News Headlines, 7.45 Thought for the Day, 8.25 The Week on 4, 8.45 Glyn Worsnip looks at the treasures within the BBC Sound Archives.
9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Maney Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Songs for the Times (5). 11.50 News, 12.02 pm You and Yours. 12.27 The Small. Intricate Life of Gerald C. Potter: 12.55 Westher; Programme News. 1.00 The World at One. 1.40 The Archers. 1.65 Shipping Forecast. 2.00 News, 2.02 Woman's Hour from Norway. 3.00 News. 3.02 Afternoon Theetre (5). 4.35 A Breath of Fassh Air. 4.45 Story Time. 5.00 PM News. Megazine. 5.56 Westher; Programme London Broadcasting

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THE ARTS

St. Bartholomew's, Smithfield

Lontano

by PAUL DRIVER

The Lontano Ensemble is baving a mini-festival all to itself at the Priory Church of St. Bartholomew. The second of its five events—two lunchtime performances of The Soldier's Tale and three evening con-certs—was a recital last Thursday of music for solo flute and for small string group which should have featured no less than three UK premieres by Brian Ferneyhough. In the event Unity Capsule (1976) was set aside by flautist Ingrid Culliford to await riper expostition of its immense difficulties at the Bath Festival.

It was replaced by the earlier (1971) solo flute Cassandra's Dream Song, which can hardly, however, be much more approachable. Its mobile structure — six short sections played in order, interrupted by five more extravagantly decorative subsections played in any order is, by Ferneyhough's stan-dards, a relatively traditional refuge for the player. But the frenzied, microscopic detailing every conceivable extension of technique (albeit confident and informed) offer an unprecedented challenge, which was impressively met by Miss Culliford. "The audible (and visual) degree of difficulty is to be drawn as an integral structural element into the fabric of the composition itself," the com-poser tells us: "a beautiful," cultivated performance is not to be aimed at." Miss Culliford's

top register, would have helped, though, in her seco Varese's Density 21.5. The two premières that remained were of the two "ver-

sions" of a work for seven strings and harp called Functailles, completed last year. The formal concept is original: the versions are to be considered neither as two move ments of the same work, nor as two distinct works; they are neither to be played separately nor in immediate conjuction. (Lontano properly arranged them on either side of Dream Song.) Sameness and difference are in fact the crucial expres-sive ideas. "Microactivity" of texture is more important, more infinite and neurotic here than in the flute piece; and within the unity of the overall shapes of both versions (they reach the same haunting end-points). mourning-mood, and predominantly muted, knife-grinding tone, different perspectives are constantly raised as if by microscopic enlargement, to dramatic

version. The sounds are shockingly new; they fall with immense weight out of a slow but energised continum. Lontano, under Odaline de la Martinez, had fully grasped the idiom of Funcrailles; its final effect was indeed profoundly "of uncertainty, of a dense and complex events of a solemn sort seen from a distance by an observer nevertheless had great beauty unfamiliar with the symbolism of endeavour and even an it embodies." After this, an elegance. Perhaps more beauty ill-tuned rendering of Verklörte and cultivation, particularly at Nacht was not what one needed.

radical effect in the second

El Cimarrón

by ANDREW CLEMENTS

For anyone who worries that ing and moving; its political ontemporary music has ceased message has lost little of its contemporary music has ceased to develop, that it has become force. But the whole conception absorbed into chasing its own now seems irretrivably gauche: stylistic tail. I can recommend imperceptibly, our ideas of what a performance of El Cimarrón. constitutes a worthwhile piece Henze's "Recital for four of music-theatre have become musicians" is only just over a infinitely more sophisticated in decade old. It was first per- the intervening years. formed at the Aldeburgh Festiof Henze's political engagement: the text and story were adapted by Hans Magous Enzensberger from the biography of the run-

How much reliance, one now val in 1970, during the heyday wonders, did Henze place on the ability of the first performers-William Pearson, Kartheinz Leo Brouwer and Zoller. Yamashta-to provide the draaway Cuban slave Esteban matic continuity he fails to Montejo. Then it seemed an deliver? Michael Rippon was a imaginative and powerful addi- dominating if sometimes stagey tion to the music-theatre canon. Cimarron, and Lontano coped On Friday at St. Bartholo- very efficiently with the varied mew's El Cimarrini was per- tasks demanded of them. But formed by Michael Rippon and the schematic nature of both the members of Lontano. It was a music and the dramatic sense very creditable and well pre- stretch the credibility too far; pared performance, yet for me El Cimarrón ought to move us at least an experience entirely to tears—that it doesn't any-lacking in compulsion. Much of more is both disappointing and Montejo's story remains shock- heartening.

Festival Hall

ERMA

by DAVID MURRAY

The Ernest Read Musical fitful, less inexorable than it Association does several child-can do. On its own with Mr. ren's concerts, with various Lovett, the orchestra was orchestras, each season on sprightly in the Sullivan over-Saturday mornings. This Satur- ture "Di Ballo" and springy in day Terence Lovett conducted Bartok's Romanian Dances. The Symphony London Orchestra (not exactly their first eleven, I think, but still a off the morning with some great catch for a short child- panache. ren's programme) in wellchosen Sullivan, Bartok and it is in Mr. Lovett's expansive, Chaikovsky, and in Liszt's haphazard introductions to the Totentanz with Ronald Smith as Dieces. The avuncular manner

the intrepid soloist. strenuous; there were many obvious or — more often — perspective. Despite an infinger-slips, but they scarcely intelligible to much of took the edge from Smith's his young audience. By way of coloratura passages smoothly, steely brilliance. His ringing pointless trailer, the main tunes attack on the furious passages glitter he brought to Liszt's enlightening was attempted. characteristic treble excur- With the Festival Hall and a sions. The orchestra gave him major orchestra at their disclose support, though the pro- posal, the ERMA must give gress of the piece seemed more more thought to presentation. | all the notes were strongly de- main stage of Carnegie Hall in London each February.

last two movements of Chaikovsky's Fourth Symphony rounded

If the format has a weakness, does well enough, but his re-The piano part is notoriously marks were either redundantly of each piece were run through was as effective as the sensuous in advance, but nothing more

New York

The other Met

by COLIN AMERY

agrees about when discussing the Metropolitan Museum in New York & that it is big. Every time you visit it anothe wing has stretched its way into the green acres of Central Park. Every year it seems that the millionaires of this city have found the Museum's ever open arms just waiting to take on full of priceless chattels. The Museum loves to build and it is loyal to its architects in a way that is both touching and disturbing. Since 1975 one firm of American architects has landed all the jobs at the Metropolitan and carried them out in a way that has given the museum a distinctive archi-

the Museum's façade. I am not certain that the architect intended to provide New York with the kind of lively piazza that was also created in front of the Centre Pompidou in Paris, but on a spring weekend the steps and forecourt are filled by a motley assortment of and mimes compete for the critical attention of the crowd touted as being

sustenance Inside the Museum the scene just as crowded although the atmosphere is more like that of the ground floor of a depart-Gorden dressed for a gala night. decorative art and pictures at children to play in, the Metropolitan but this new Primary colours wing renders its forebear unmemorable.

the size of the old, covers an sion westward into the park, design. The architects Kevin Roche, Dinkeloo and Associates wing giving New Yorkers yet the

style of Patrick Libby's pro-

duction had confidently crossed

the boundary between comedy

quills and papers, swaying sea-

sick choruses and guyed colora-tura as old and cherished

Two promising young singers

were new to the cast. Mezzo-soprano Cynthia Buchan made

a more interesting sound in her

lower register than at the top.

which gave her Rosina an un-

she was well in command of the role's difficulties. Russell

Smythe's easy high baritone

seemed a shade too light for an ideal Figaro and his acting and

reaction to the rest of the cast

were unnecessarily fussy. But

and welcome musical

usual

Coliseum

One thing that everyone energy, shelters the landscaped courtyard with simple elegance. On a sunny day the glazing throws a web of shadows over the brilliantly lit space. The architect was determined to be recessive and so the new build-ing does little more than provide an hospitable and efficient setting for other peoples' creative efforts. The dominant element in the garden court is United States Branch Bank that was originally built on Wall Street between 1822 and 1824. The architect was Martin E. Thompson who designed several stone neo-classical buildings for lower Manhattan which have vanished as the city has grown.

tectural hallmark.

It was back in 1975 that Kevin Roche was brought in to renovate the Great Hall and the renovate the Museum's estate

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To Employer

To Employer

See its pediment set into a stone wall renders it more of a stage set than a building. In front of the façade more than continues that line Fifth Avenue. He front of the façade more than monumentalised the great front steps and designed two pools with fountains that certainly they are mostly big, forthright animate the formal grandeur of works that seem rather scaleless in this setting. The most effective works on display in this court are the salvaged remains of some of the great buildings of New York that have lon demolished. long

from the Oyster Bay house built York street life. Musicians on Long Island 1903-5 as his own residence by Louis Comfort Tiffany is the most intriguing —the whole scene swathed in exhibit in the room. It forms the smoke from the burning a columned niche, the columns themselves are topped by floral capitals that have no precedent. Tiffany used coloured ceramic tiles and blue and gold glass lanterns to complete his almost Islamic style portico. In the ment store. The floodlit moun-museum the columns frame tains of flowers resemble a examples of Tiffany stained perfume counter or Covent glass windows, the most successful being a wisteria framed This year the newest wing to view of Oyster Bay. There are be almost open, although it was also windows from the Frank declared completed in 1980, is Lloyd Wright, Avery Coolney the American Wing. There was House that stood at Riverside, always a collection of American Illinois and was designed for

Primary colours and sharp ring renders its forebear geometry are the elements of these rather uninteresting. The new wing is six times examples of Wright's work. When the wing is completed area of 150.000 square feet, and there will be a more complete completes the museums expaners ample of Wright's interior

The most exciting and the most typical of the objects comhave designed a great green- missioned by the very, very rich house that surrounds the old of late 19th century America is Vanderbilt chimney-piece another glass covered sculpture from the entrance hall of the garden where water and low Cornelius Vanderbilt mansion beds full of Kangaroo Vine that formerly stood on the make a calm setting for some corner of Fifth Avenue and marvellous objects.

It is the architecture of this great red marble monster was court, the Charles Engelhard designed in collaboration with Court that has become the John La Farge by America's Metropolitan's style. The archi-leading artist of the Beaux Arts tecture is bland and monu- period. Augustus Saint Gaudens. help to see a little more could

National Opera revival the dent, simpler control of stage harpsichord chords that accom-

and farce. Rossini's Barber has Anthony Roden gave a good James Judd's vigorous con-always (unjustly) received such account of Almaviva's taxing ducting drew a lively response

treatment and Saturday night's music: Richard Van Allan from the ENO orchestra. The

audience welcomed the flying seemed a surprisingly unpara- cymbal player contributed some

Barbican in the City of London,

won the first Concert

velop in time.

and farce. Rossini's Barber has Anthony Roden gave a good

The Barber of Seville by RICHARD JOSEPH

Old habits die hard. By the livered and the characterisa-Both Eric Shilling and Rosalind beats. Interpretatively, many of first act finale of this basically tion was a winning one; a ful-Horsington offered expert well - intentioned English ler sound and a more confi- accounts of their roles. The right — routine and spurious

movement will certainly de- pany Rossini's secco recitative

noid and well-adjusted Basilio unique opinions as to the loca-

yet sang as excellently as ever. tion of the conductor's down

Award for British soprano

Ann Mackay, the 24-year-old February 1982, as well as a cash soprano who lives in the prize of \$2,500.

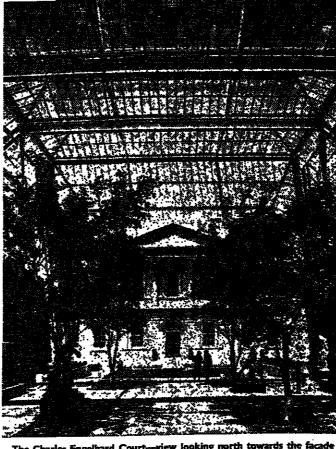
Artists' Guild Amcon award in New York, This gives her a New York debut at the Carnegie Consolidated Gold Fields, this

Recital Hall, a tour of the U.S., Year has seen the extension of

with radio broadcasts and a date the Guild programme to the UK

Orchestra of New York on the open to British musicians in

After a slightly dry start by Rosemary Barnes.



The Charles Engelhard Court-wiew looking north towards the facade of the United States Branch Bank built

the La Farge mosaic are a in them. To talk through the demonstration of the strength doors of the rebuilt bank facade demonstration of the strength of America's still under appreciated (even in this wing) artistic flowering in the late

19th century.
The looming presence of the Vanderbilt chimney-piece in the somewhat antiseptic 20th century surroundings seemed to me to crystallise a problem that faces the curators of the American Wing. What is the best way to present to the the re-erected bronze and cast iron staircases from the demolished Chicago Stock demolished Chicago Exchange designed in 1893 by Louis Sullivan, mean so much less when they are removed from their buildings.

There are 19 " Period " rooms American Wing and there are more to come. Everyone of contains examples of interior decoration or furniture. All of them have come from somewhere else and are now shown as isolated models of certain periods of taste. They are often beautiful and always faultlessly arranged down to the last tassle or false bloom but they lack all meaning without their context. The

were rebarbatively elaborated

The Concert Artists' Guild

awards in the U.S. are open to

with the Youth Symphony annual event with auditions grant from the Rank Organisa-The Amcon Award is now an

into the Federal style room re construction lacks any ring of credibility, artistic, historical or otherwise. I sincerely hope that the intrusive lighting in these rooms is a temporary European eyes are bound to

be critical of the rather stretched nature of so much derivative design. That is why the emphasis on so much Colonial material is really a public the remnants of the past Colonial material is really a that have found their way into reflection of the period when the museum? Architectural the Museum acquired the col-relics, and good examples, are lections rather than an accurate the Museum acquired the colrepresentation of the vitality of American creativity. I am lookthe remaining 13 rooms of the wing open to show the strengths of the late 19th and the 20th centuries in American architec ture and decorative art. The that have opened so far in the great big wing also houses a fine collection of American paintings in large and well lit

galleries. There is an added pleasure to be had from looking at pictures in rooms that have fine views of Central Park and the lemming like lines of joggers con-

stantly passing the windows. New York is rightly proud of the Metropolitan but it is not a friendly museum and suffers from a lack of staff to allow model room set is not a all the galleries to be open at phenomenon that is confined to once. Architecturally it has a once. Architecturally it has a America but it does seem to well mannered air of air conhave reached its apotheosis at ditioned worthiness but its the Metropolitan. It would insistence that culture is BIG soon render mental. The great glass roof, It is pure 1880's in spirit and evidence of the kind of houses -experience of learning about which can't be exactly the combination of Saint- the rooms come from and of and enjoying the past too economical when it comes to Gaudens's heroic caryatids and the people who built and lived daunting for most of us.

right - routine and spurious

traditions were avoided, instru-

mental colours kept fresh and well defined—but he tended to

press his singers too hard in

arias, and accent the ensembles too relentlessly. Still, one

wished that his own respect for

the composer's invention had

had a greater influence on the

Rank donation to

National Film Archive

announced a major donation by

the Rank Organisation to the National Film Archive Rank is

donating the master material of

its entire colour feature film production to the Archive (some

175 titles) to store in its cold

storage vault at Berkhamsted,

which was reactivated by a

tion, and which holds approxi-

mately 4,000 reels of film.

The British Film Institute

proceedings as a whole.

Festival Hall

Amsterdam Concertgebouw

by DAVID MURRAY

Conducted by Bernard Haltink, the Concertgebouw played Bruckner's Symphony No. 8 on Saturday. A sterling performance, specially interesting in the light of Klaus Tennstedt's luminous account of the Fourth Symphony with the London Philharmonic last Tuesday—though direct com-parison would be neither seemly nor in fact possible. The air of happy spontaneity that Termstedt gave the Fourth could never suit the climate of the Eighth, which is altogether grander, more solemn and—for all its length—more toughly

The collective sound of the

Concertgebouw remains unique: seamless string tone, burnished brass, liquid woodwind (the first and second flutes appear to use wooden instruments still and they sound lovely). It was disappointing that in a "Great Orchestras of the World" series the programme should fail to list the players: surely the Concertgebouw doesn't have a policy of individual anonymity? One surmises that the orchestral personnel are a more international crew than they used to be but the Amsterdam tradition has triumphed over any incipient cosmopolitan quirks. Above all, even in towering fortissimos there is not a trace of a rasping edge in any section

Bernard of the orchestra, they never ertgebouw hector but offer massively symphony gentle persuasion. The Bruckner Eighth found

Haitink at his faithful best. The building up of Bruckner's great symphonic blocks pro-ceeded at very steady tempi. never too slow, graded to a fine scale possible only for a conductor who can hold the work in a long, comprehensive view.

After a darkly splendid first
movement, the Scherzo boiled
up in a white glare; Haiting gave special weight to its eva-sive unquiet Trio. But he justly located the heart of the work in the Adagio, where silken strings and irreproachable Wagner tubas sustained their long lines nobly. Without heart-on-sleeve pathos or theatrical hushes, what is profoundly moving in the Adagio was brought out in calm paragraphs perfectly shaped. There was still concentration and energy to spare for the Finale, which to spare for the Finale, which Haitink drew together judi-ciously enough to scotch the usual doubts about over-conscious manipulation. The conscious manipulation. virtues of Haitink and his orchestra can hardly be distinguished in such a performance, but they represent a superb inheritance, a playing style that reaches beyond technique and aural spectacle.

Theatre Upstairs

I Can Give You a Good Time

by MICHAEL COVENEY

Gilly Fraser's 90-minute two-Soho Poly and on the TV soap hander charts the bitty opera Angels. For what must all-night encounter between a be counted her full-scale prostitute, Lou, and a client, John, in a Chapeltown brothel. Lou has seen those programmes they make about us," by which we are meant to infer that this play is concerned with the truth. It is a long time since I have seen so unbelievable a piece of work. John wants to know how Lou became a prostitute. He is not a journalist nor (the thought crosses Lou's mind as this is Leeds) is he the Ripper. After sitting like a faceless cypher for half an hour and hearing how Lou fell into the way of pleasing men at an early age, he suddenly turns into a maniac. He chops her on the back of the neck and paints Lou's nipples and tummy with a lipstick. Then he strips off, talks about his mother and how "the kids on the estate" are

to blame, and asks to be

cleansed. Lou scrubs his back

be counted her full-scale professional début, director Antonia Bird has enlisted the support of a fight director and the services—as assistant director-of the Court's boss, Max Stafford-Clark. For a piece devoid of humour, convincing psychology or even marginal depth of characterisation, I am amazed at this deployment of

It is not enough for a woman dramatist to be all woman and no dramatist. It is not enough for a prostitute character to exist in an empty litany of received cliches. Wedekind and Jean Genet knew the name of the game. And they whoops, sorry — were men. The actors, Garole Hayman and Will Knightley, give of their best but fall to dispel an air of dull portentousness.

The director of the hilarious Giffy Fraser's work to date Whitehall Theatre is Dick has been done with Royal Clement and not, as stated on Count youth groups, at the Friday, "Ian Clement."

Kent Opera 1981/82 season

both originally produced by

Kent Opera plans for next Jonathan Miller, will be conseason include two new product ducted by Roger Norrington. season include two new produc-tions, The Marriage of Figuro, Kent Opera's music director, sponsored by National West-minster Bank, in autumn 1981 conductor, Ivan Fischer, making and Handel's Agrippina, pos-sibly the work's first fully pro-fessional performance in and Leicester, will be visited as Britain in soring 1982. well as Tunbridge Wells. Can-

Leeds, Opera North will acquire Monon Lescout, Werther and a second base at the newly Cos! fon tutte, of which the reopened Palace Theatre, Man-first four will be heard in Man-

Britain, in spring 1982. well as Tunbridge Wells, Can-Figuro and revivals of Cost terbury and other towns in the fan tutte and Eugene Onegan, south of England.

ELIZABETH FORBES

Opera North

to Opera North, severing all ing Opera. financial and managerial links will include Macbeth in co-with the parent company at the production with Welsh National London Coliseum.

As well as the Grand Theatre, Midsummer Nights Drenm, chester, where a subscription chester as well as Leeds.

Next season English National scheme will be inaugurated to Opera North changes its name gether with Glyndebourne Tour-

Opera. The Bartered Bride, A

FOOTBALL by TREVOR BAILEY

Cup Final thrilling but not classic

dog fight, one of those games when, even in the clinical and unemotional atmosphere of the Press box, time passed so quickly that the final whistle came as an unwelcome surprise. because the outcome was always in doubt.

A one-all draw was probably the fairest result. Manchester City threatened more throughout the first half and during the second section of extra time. but Tottenham Hotspur did well in the second half to come from behind. They gave occasional glimpses of elegant style, while Corrigan, who was commanding throughout, was the busier of the two keepers. for the good reason that City. who were more composed at Although it is a wonderful midfield skill, and provide their field passes, the back, and used the ball surface on which to play foot- talented and thrustful goal. It really

HOPES THAT the centenary more accurately out of defence, ball, running on it puts a scoring pair, Crooks and Archi-

ment for 90 minutes. Both teams gave so much that they were physically exhausted. The

extra time proved something of an anticlimax, as players con-stantly collapsed with cramp. It was only to be hoped that the decider would not occur as a result of a gap caused by some-Some of the Tottenham supporters in the train returning from Wembley queried the fitness of their side. In the last session of extra time they were nearly overrun, suffering even

Cup Final at Wembley on never allowed them the space, greater strain on the leg bald, with a better service, and Saturday would provide a classical exhibition of football were sized exhibition of football were sical exhibition of football were deadly, but at times so ferocious give. Extra time—and I can deadly, but at times so ferocious give. Extra time—and I can function in the manufacture of the most realised, but unlike so many that one felt the referee should speak from personal experience of the most realised. finals of recent years it will be have given the Londoners more thrilling moments.

It was a full-blooded, earthy dog fight, one of those games much for 90 minutes. Both ment for 90 minutes. Both ment for 90 minutes. Both bitse into his earliest and the pain picture feature.

bites into his calves.

The replay is on Thursday
night at Wembley. Although
this may be hard on the pockets

The replay is on Thursday
night at Wembley. Although
this may be hard on the pockets

Rooke, who came on as substiof Manchester supporters who have much further to come, it certainly makes good financial sense for the two clubs, as the body lying helpless on the pitch, gate receipts will be much for the return.

30 yards from his post of duty. higher than anywhere else. On Saturday Villa spent

Chelsea beat Leeds in what was about the most brutal battle I have seen. The referee on Thursday will need to act firmly more than the opposition. These at the outset to make sure there attacks of cramp have nothing is no repeat of that performto do with physical fitness, but ance, were the direct result of the Wh Who will win? If Tottenham

are able to express their greater

tute, provided greater penetra-tion. This leaves Keith Burkinshaw with the problem of deciding which of them to pick

Replayed FA cup finals are much of his time in close sup-rare. The last was in 1970 when port of his lead pair, for which he lacks the pace on the break, as well as leaving the midfield unattended. The opposition were quick to exploit this, especially as the right footed Galvin tends to play so wide on the left, where the aristocratic Hoddle managed to find him with a number of superb cross

It really is anybody's Cup.

TENNIS BY JOHN BARRETT

Fleabags' loss is gain for tennis

learn English and competed in the Orange Bowl Junior Championships.

His two years at Modesto Junior College and two years at San Jose State University. from which he dropped out in 1972, improved his English but, more significantly for his future these years sharpened his talents as a tennis player so that he was able to embark on a professional career with every prospect of making a decent living. He is now the Brazilian number one, and has played Davis Cup tenuis for Brazil since 1971.

THE FLEABAGS' loss has He continued on Thursday with become a champion. He won point nicely. Surely the most meant a gain for tennis. Carlos a 3—6 7—6 6—2 success against the first of his three Wimble enduring of all champions he kirmayr, the 30-year-old the tiny Spaniard Angel Giminez don singles titles when he was won the Australian and French meant a gain for tennis. Carlos
Kirmayr, the 30-year-old
bearded Brazilian who has
reached the final of the WCT
Tournament of Champions at
Forest Hills unseeded decided
in 1967 to seek an education in
America.

He sang with the rock group
called the Fleabags to help him
learn English and compared in match points in the first tie-break, and came to a peak with an outstanding 6—2 6—4 win against fifth-seeded Wojtek Fibak of Poland.

I was reminded of a basic tennis truth by these remarkable events. A male tennis player's peak occurs between the ages of 28 and 32 — provided he keeps his ambition and remains free of injury. It is only then that all the factors which contribute to success at the highest level — including match-playing experience, physical strength and emotional maturity come together.

Davis Cup tennis for Brazil
since 1971.

On Tuesday Kirmayr defeated top-seeded John McEnroe who was denied a match point in that it takes 10 years to learn being beaten 5—7 7—6 6—2. the game, and another 10 to

Connors then 22, in the 1375 Inis week asmayr has made Wimbledon final. The great the leap which divides poten-Rod Laver was 31 when he won tial champions from chambis second Grand Slam in 1369 pions. He has always had the Connors then 22, in the 1975 his second Grand Slam in 1969 when the depth of talent was infinitely greater than in his

This week Kirmayr has made

touch, the fluency with the racquet and the imagination to earlier feat in 1962.

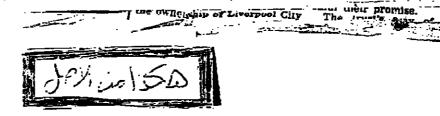
Unfortunately the prodicious be a good player. Recently he base beaten Teltscher, Pecci, Cierk and Nastase as well as yes, he is still only 24—and the today's final. Borg in the past five years—
yes, he is still only 24—and the today's final.

remarkable achievements of But after surviving so many crises this week and partly, he admits, because of a change world charmants ago, to a large

eight months ago, to a large-headed racquet, he now plons in the 1950s conceased the length months ago, to a large-basic truth. In a sense, they headed racquet, he now were freaks. Hoad dropped out helieves he is as 200d as the basic truth. In a were freaks. Hoad dropped out believes he is as good as the of tennis with injury in his world's best. The interesting mid-20s and Borg may suffer thing will be to watch his protection may wane.

Only then will we know whether mbition may wane.

Only then will we know that belief is complete.



A medium-range gamble

By Michael Donne, Aerospace Correspondent

FINANCIAL TIMES

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Monday May 11 1981

A plea to Bonn and London

ANGLO-GERMAN even without the shock results treasury. of the elections in France and, to That is why Herr Helmut trates how misunderstandings Schmidt, the German Chancellor, is a welcome visitor to London and Bonn. Britain. He arrives today for two days of talks with Mrs. Margaret Thatcher, the Prime

appears to be lacking in top level relationships between the leaders of the two countries.

Dr. Konrad Adenauer, the first post-war German Chancellor, never made much secrecy of his distrust of the British, and of his preference for Gen. Charles de Gaulle, with whom, he built up an extremely close personal relationship. That pattern has been maintained, with certain notable but temporary interruptions, to this day. It is intimately linked with Britain's initial refusal to join the Common Market, and with the painful process of adaptation that ensued when Britain finally got in.

Personalities

Both Mrs. Thatcher and Herr Schmidt have prickly personali-ties and a gift for the sharp That may not be the determining factor in the rela-tionship between their two countries, but it does not make for ease. At the level of officials and of cabinet ministers Anglo-German relations are good, and often cordial, but it is no great secret that the officials are not under great pressure to make the most of these relations. Franco-German relations have worked more smoothly.

That is not to say that there never are differences of opinion between Paris and Bonn: even. during Dr. Adenauer's day there were rows a-plenty, but they were never allowed to obscure the common objectives. In the case of Anglo-German differences, that has not been the case. Herr Schmidt, for instance, feels very bitterly about the British block on a common fisheries policy, which deprived the German high seas fishing fleet of its 1981 season because an EEC fisheries agreement with Canada was held up.

He was under the impression that Mrs. Thatcher had agreed to give way on this issue as a reward for German acquiescence in the reduction of the net

were in urgent need of attention already straitened German can reply that there was no such a lesser extent. Berlin last night. formal agreement precisely illus-Behind that issue there lurks

the question of a reform of the EEC budget — a question where Britain and Germany have a seclusion of vital common interest. The rural sectusion of Chequers could provide precisely the relaxed atmosphere industrial and small agricultural sectors, both have an over-interact in containing the personal confidence that often riding interest in containing the

cost of the farm policy.

In industrial matters, too there are important common in terests in spite of the inevitable competitive clash. Though they start from very different bases, German industry at large being more up-to-date than industry in Britain, both countries face the task of improving their competitiveness in world markets, Since the advent of Conservative Government in Britain two years ago, both have chosen similar routes: to sharpen the edge of their manufacturers, at the cost of slimming down what is no longer competitive. The re-structuring of British Steel is a case in point: after initially suspecting that a shower of subsidy was planned. Bonn has begun to understand that British Steel is to follow the Germans in making itself a smaller but fitter industry.

Symptomatically, Thatcherism has commanded grudging respect in the German business community which, in the past, used to show little more than patronising pity for the British economic performance. economy has been looking shaky of late has been a contributing

Foreign policy

There also is a convergence betwen them, or at least between their foreign ministers in the foreign policy field. They are groping their way towards a mechanism to give the Ten a foreign common . Differences hinge upon the means to achieve this rather than on the end itself. Afghanissurrounding U.S. policies are reason enough for Western Europe to make sure its voice is heard.

It will not happen if Bonn and London do not show that their will to pull together is stronger than the numerous irritants between them. After budget - a reduction that will certainties in Europe than ever.

Reforming local government

county elections in England last time. There are no foregone week offer some comfort to all conclusions.
the main parties. The Labour Yet there Party did not do as well as it looking at it. As always, only might have done, given a Con- about 40 per cent of those servative Government in mid-eligible to vote — in London term and in some economic the percentage was slightly Yet. measured against Labour's own internal problems, the party's perform-ance was not at all had. It ment, and in particular the recaptured the Greater London Council: it showed its strength in Manchester, Merseyside, the West Midlands and West Yorkshire: and it made gains in previously unsuspected areas such as Berkshire, Cheshire and Avon. There is nothing like to see heavier outlays on there to suggest that Labour is public expenditure both locally a spent force at the national

Tories

The Liberals failed to make their breakthrough, as in the end they always do. East and West Sussex were not gained, as the party had hoped. But they continued to pick up seats, and can collect a sizeable share of the vote almost wherever they

The new Social Democrat Party, on the whole, did not participate on the entirely justifiable ground that it has only just been formed. Yet nothing in the county election results belies the possibility that if the Liberals and the Social Democrats were to work together, they could become a formidable force in British politics.

The Conservatives did rather against what their opponents. and indeed some of their own supporters, say about the Tory but had expected to do so. The margin of defeat was considermargin of defeat was considered ably less than it might have discovering.

It is this division of been. It would be impossible to speak realistically of an anti- responsibilities between local

even elsewhere. they suggest that at the Govhave everything to play for trouble.

JUDGED entirely as a popu- when it comes to the General larity contest, the results of the Election in two or three years'

Yet there are other ways of higher - bothered to do so, At the same time, however, the issues between local and central government, become more im-

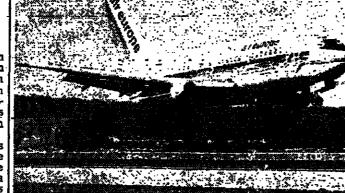
portant. This is not entirely a matter of dispute between the parties. On the whole, the local authorities controlled by Labour would and nationally. But some Torycontrolled authorities, too, have quarrelled with the aim of the central government to cut back; others have acknowledged that present constraints make it difficult to maintain even the exist-

ing level of social services. So long as it is understood that the services must be paid for somehow—and that there is no such thing as a free school Junch-these divisions are the stuff of politics. One approach to local public transport, for example, is to subsidise it as some of the Labour authorities now propose to do, more than Another is to make it more competitive by encouraging the private sector.

Manifestos

This is clearly a debate which well, especially when measured is going on in the country at the local as well as the national level. It is very difficult to see how it can be resolved without performance in office. (It is either more centralisation or worth remembering that Mrs. more local autonomy. Local Thatcher's Government has not authorities have only limited so far fallen much behind in power to raise their own the national opinion polls, revenues. In practice, central They lost control of the GLC, government has only limited power to bring the local authorities to heel, as the Tories are

Tory landslide, in London or and central government that the political parties ought to Thus, for what the results are be thinking about as they worth as a popularity contest, prepare their manifestos for the next general election. At eroment's mid-term all parties present, we are heading for



OME TIME over the next few months; Britain will have to decide whether to pump perhaps as much as E400m extra cash into the aerospace industry.

The money is needed to help. \$1.5bn any revised work-sharing develop the British share of a will entail. new aircraft in the Airbus family, the proposed 150-seat A-320, and a new engine, the Rolls-Royce/Japanese RJ-500, to Major airlines such

to the manufacturers, the A-320. They believe that from about AI has no doubts that once 1988-87 onwards, there will be the current recession is over, a medium-range gap between air traffic will boom at about the 135-seat Boeing 737-300, and 6-per cent a year, bringing with the bigger 200-seat Boeing 757, it a demand for a new quieter, both naw under development more fuel-efficient airlings in both now under development.

The new aircraft would re-place ageing and fuel-mefficient Boeing 727s and DC-9s. The replacement market, together with extra aircraft to meet pre-It could be worth over:\$50bn by the end of the 1980s, and perhaps double that by the end of the century.

Competition to develop such

an aircraft is now-developing rapidly. McDonnell Douglas of the U.S. has teamed with Fokker of Holland to combine their respective DC-11 and F-29 ideas into a new design, the MDF-100. Boeing is also working on a new design, the 7 Dash 7, and intends to reveal details at the forthcoming Paris Air Show. Boeing is also interested in

foreign collaboration, especially with Japan, but possibly in collaboration with Europe. far, all these are "paper aero-planes," and it will be some time before final designs are offered to the airlines. Airous Industrie, the Euro-

pean consortium in which British Aerospace has a 20 per cent stake, is anxious to widen its product line to win new 300-seat A-300 and the 200-seat A-310, now in production, AI has considered three possibilities. One is the 150-seat A-320. Another is the TA-9 "stretched" 350-seat Airbus. The third is the TA-11 four-engined longrange version of the Airbus. The A-320 is thought the most

As a result inside Airbus Industrie, there is much discussion as to who can, or wants to, do what, and what division of the overall A-320 development of between \$1bn and

With sales of the A-300 and A-310 now standing at 469 aircraft, AI foresees a total world market for 6,200 jet airliners in the short-to-medium range as class, worth about \$250bn American, Delta Eastern, between now and the end of Trans World and United are the century. Of these, 3,800 all expressing interest in this are of the A-300/310 type, and size of aircraft and some are about 2,400 are of the smaller, even issuing their own specifica- 130-150 seater types, such as Be

> more-fuel-efficient airliner in the 150-seat category, to complement the bigger types already

under development.

A decision to go ahead is needed this year, if the A-320 jected traffic growth could be is to be in service by 1986-87, well in excess of 1,000 aircraft. so as to compete with the Boeing and McDonnell Douglas-Fokker designs, which closely match the A-320 design. At current prices, these aircraft would need to sell at \$35m each, it is estimated, Al has already done a lot

of work on designing the A-320.

It will be a twin-engined airctaft, with the engines under the wings, but it will have some significant aerodynamic refinements, such as a smaller tail, to give improved performance and lower fuel costs.

AI sees the A-320 in two versions: one a 130-seater, to

European consortium building

the A-300 and A-310 jet air-liners, is a "Groupement

d'Interet Economique." This

the capital and manpower and

other resources of all its part-

These are: Aérospatiale

(France), 37.9 per cent; Deutsche Airbus (Messer-schmitt-Bolkow-Biohm), 37.9

The proposed 150-seater type of airliner, such as the A-320 (above)—originally designated SA-2—is intended to fill the gap emerging between aircraft like the Boeing 737 of up to about 130 seats (left) and the bigger 200 seat Beoing 757 (right). The 150-seater is also seen as a replacement for many of the older, smaller Beoing 727s and the Douglas DC-9s still in service

compete with the new Boeing 737-300 (but coming into the market rather later than that aircraft) and the other a 150-160 seater which would be a. direct 727 and DC-9 replacement. It has drawn up a pros-pectus setting out the details. production schedule and costings, and this has been circulated among the member-companies—British Aerospace, Aerospatiale, Deutsche Airbus and CASA of Spain.

but is also strongly interested in getting final assembly, and perhaps other parts of the aircraft, such as the nose section and flight deck. It has capacity of the design, together with a for this at either Hurn, near Bournemouth, or Filton, near Bristol, both of which have long experience in airliner manufacture (One-Eleven jets, and Britannias and Concordes).
This is where the question of

JET AIRLINE SALES				
Soeing 707	Orders - 962	Deliverié 940		
727 737 747 757 767	1,807 920 571 1886 305	7,721 743 504 —† —‡		
Airbus-Industrie A-300 A-310	316* 153*	135 —§		
McDonnell Douglas DC-10 DC-9	398° 1;101*	347 970		
ockheed TriStar	243	200		
Fokker F-28	171	159		
Includes options; † Deliveries start e 1982; § Deliveries start in 1983	arly 1983; ‡ Deliveribs start i	n August		

urbus Industrie

secret, but it is understood to terest-comes in. If BAe wants make plain that to build the a bigger volume of work than A-320, a major expansion of AI's production capacity will have to pay for it. Final be necessary, probably entailing assembly accounts for perhaps. new partners in the consortium. 5:10 7 per cent of the total work who would bring in cash, man-involved, so that in addition to power and factory space. Pro- wings, or other parts of the airduction of the existing A-300 graft. BAe's share of the A-320 and A-310 is due to rise from might be around 30 per cent. At the present four aircraft a the current estimated develop-month to eight a month by ment cost of over £500m, this 1984, and perhaps to 10-a month by 1985 (to meet existing orders ment of at least £150m, and

(Spain), 4.2 per cent). There

are some associates, such as

Fokker of Holland and Bel-

airbus (Belgium), working as

Airbus Industrie can call on

the resources of all its partners as needed. Collectively, they have about 150,000 wor-

kers, but of these at present

about 20,000 are directly

employed on the A-300 and A-310, a figure that will rise as

planned production increases

prospectus remains cash-and the Government's inits present 20 per cont, it will would entail a capital invest-. eventually much more if cash

from the present four aircraft

a month to eight aircraft a

month by 1984, and perhaps

to ten a month by 1985, to

The cost of the A-300 pro-

gramme is about \$1bn for

development and another

\$1bn for quantity production. The A-310 is costing up to

\$1bn in development. On the

existing Airbus programme.

break-even is forecast at sales of around 800 aircraft.

Each partner puts in cash

It does not seem likely that BAe could find this out of its own resources, since it is already investing between £200m and £250m on the A-310, and £300m to £350m on the 146 fourengined feeder-liner. So, if it does not go to the Government for launching aid, it may seek to raise the money on the open market as a risk venture, which is 50 per cent owned by pri-

BAe has not yet reached the point of asking for any -it has not yet even decided what share it wants of the A-320. The Government has probably not even begun to think about it, but will have to start doing so later this year. The West German Government, with financial pressures of its own, is currently cool towards the A-320, and wants to study the idea closely before making up

The higgest pressure is coming from the French Govern-ment. Backed enthusiastically by its aerospace industry, (especially Aerospatiale) it is anxious to get a go-ahead by the end of this year. Air France is also interested in the A-320 and could buy up to 50 aircraft.

It is possible that if the UK and West German Governments decline to participate in the A-\$20. AI itself, with the encouragement of the French Government, would look eisewhere for partners, while continuing with the existing programme on the A-300 and A-310. There would be nothing

and plant and equipment to

cover its share of the two

ventures. British Aerospace.

for example, has aiready paid

of the net assets of AI as at

December 31, 1978, with an-

British Aerospace invest-

ment in the Airbus pro-

gramme is expected even-

tually to amount to more than

£250m, of which about 80 per

cent will have been incurred

other \$25m due soon.

by end-1984.

British Aerospace hopes to for initial quantity production to prevent it from setting up a build the wings as it does is involved. subsidiary to undertake work on the A-320, bringing it new partners, such as Aeritalia of Italy, without upsetting the AI arrangements on existing air

craft. Other European which might be interested include Saab of Sweden. Al's strongest hope

collaboration, with cash and pro market as a risk venture, which duction capacity, is Japan. Talks it is entitled to do now that it have been held over recent months, but so far nothing has materialised. Al is anxious not to give away technology. It wants genuine risk-sharing partners, who will bring technical expertise of their own to the programme, not partners who milk it and become competitors in a few years' time.

Associated with the A-320 programme is the question of the engine. Rolls-Royce, which has so far failed to get abourd either the A-300 or A-310 with its RB-211 engines, is keen to get its new RJ-500 of 25,000 lbs into the A-320, and so are its Japanese partners. This year, Rolis-Royce: Japanese Aero-Engines (the joint company working on the engine), will probably have to ask the British Government for launching aid of up to £250m as the UK's share over the years ahead of putting the RJ-500 into fullscale development and produc-

But here, too, there is tough competition. Pratt and Whitney has said it will develop a PW-2025 of 25,000 lbs thrust, while General Electric is likely to produce a version of its new "Energy Efficient Engine" on which it has been secretly work-

ing for some time.

The British Government, therefore, might well find itself before the end of this year being asked for £400m in aid - £150m for the airframe and £250m for the engine — to help Britain get into the A-320 programme. The airframe and engine go together to make a strong package that the UK aerospace industry as a whole feels needs to be done so as not to be left out of expanding world markets in the years ahead. The A-320 will probably be

the last major new civil air-liner to be launched this century, apart from "derivatives" of existing types. To miss this tide will mean waiting 20 years for the next.

Address of the second s

per cent; British Aerospace, 20 per cent; and CASA

Action stations

For American companies fearnews is that strapping Ian Sinclair relinquishes the job of chairman and chief executive.

The bad news is that he will prises, the aggressively acquisi-tive subsidiary which handles

in 1942, hammering out freight rates with the Canadian Government. Much of his subsequent per cent of its revenues.

Many a man has qualled at the prospect of talking terms with Sinclair, whose unblinking eyes were said by author Peter Newman to have "the opaque quality of unpeeled grapes.". Among the shrewdest of his deals was that done with Man-nesman chief Egon Overbeck, who in 1973 let go to CP a 25 per cent stake in Canada's



"Which do you think will come first, the 25p fare or a

Algoma, at what was reckoned to be a bargain price.

now be able to devote even by Dart and Kraft in a bid for more of his time to the job control of kitchen equipment which he keeps as chief executive of Canadian Pacific Enterprises corporate logo, a flight of prises, the aggressively acquisi
Canadian geese, well expresses The burly, brusque Sinclair them on another foray south, cut his negotiating teeth at CP in 1942, hammering out for its migratory urges, and Sin-

Expat Pommies are soon to lose career has been devoted to diversifying the group, such that transport—mainly the traditional railway business—the right to vote in Australia without taking out citizenship, which in turn demands at least which in turn demands at least three years' residence in the

The practice which ends this year of enfranchising Brits after only six months' residence is described by Immigration
Minister Ian MacPhee as "an
anomaly" whose removal he
hails as "a milestone in the social and political development of Australia." And, as if to give reluctant Brits a further diplomatic nudge, he points out that of the 1.2m Australian residents who have qualified for but not taken out citizenship, 70 per cent are from Britain, its colonies and Ireland.

Inconvenient

It may be of some relief to regular users of London Transport to learn that the LT Passengers Committee is taking a keen interest in an aspect of the service rarely discussed but at times acutely welcomed - the provision of public lavatories. Last year, reports the Com-

mittee, proposals within London Transport envisaged the closure of lavatories at Shadwell, Rotherhithe, Edgware Road, and even Leicester

Square.
This being quite enough to raise any public-spirited backles, the Committee asked London

Agents for Overseas Governments and Administrations.

The job of Crown Agent will, says Gadsden, make little direct.

Transport whether it had a claim on his time-a meeting a "policy of public lavatory clomonth, or so. But it will be a sure." Not so, replied the men hat which he expects usefully of Broadway. The problem is a and often to put on during the statutory duty to improve staff extensive foreign travel, particonditions, which can sometimes cularly in Australia and the Far involve annexing space pre- East, which his other work viously given over to public demands. domain.

I only wish I could report that the Watchdogs snapped back Mine head with words to the effect that public loos give place only to police, fire and ambulance as services essential to the wellbeing of central London, and should be preserved at all costs. But they conclude only that they "expect London Transport should provide the necessary space where practicable ... and will consider any further closure proposals on their merits."

Knight errant

The pace has not slowed for Sir Peter Gadsden, though the pomp and circumstance have abated since he completed his term as Lord Mayor of London last November.

His motto, "thoroughly with enthusiasm," was given ample expression in that mayoral year, as he contended with 153 dinners, 123 lunches, 83 receptions, 11 banquets, covered Britain from Aberdeen to Truro and visited China, Canada, Ireland, Luxembourg, Tunisia, Australia and Hawaii.

is primarily a mining man, with County, New York, who sent a a strong marketing streak, note to County Clerk Joseph Apart from running the London Holland. He mistakenly put the office of ConsGold subsidiary note in a regular envelope in-Associated Minerals Consoli- stead of the regulation interdated, he holds a clutch of com- office brown. So, instead of pany directorships and almost a going straight to Holland's office score of other appointments, 100 gards along the road, it including presidency of the went to the New York City Post National Association of Char-Office. There, postal clerks did coal Manufacturers, a trustee—the logical thing with an enve-ship of the Chichester Festival lope marked simply "Mr. Joseph Theatre, membership of the Holland," and sent it to the Shakespearean Theatre Trust Netherlands. Dutch postal Management Council—and as if authorities in turn did the that were not enough, he be-logical thing, and sent it back comes this month one of to the return address, the county Britain's grandly-named Crown Agents for Overseas Govern- it, three weeks after mailing.

Not so, replied the men hat which he expects usefully

"The people he is losing to the right are the sort of people he is well rid of," says South African industrial potentiate Harry Oppenheimer of Prime Minister P. W. Botha's performance in the recent general election there. Oppenheimer, talking

Frankfurt, was reminded by the electoral fragmentation of his earlier days in the United Party of General Smuts. It was hardly surprising, though, that he should have been in a reminiscent mood. For prominent, in the front row of his audience was Hermann Abs, legendary leader of Deutsche Bank after the Second World War. It was 'Abs who negotiated the first post-war foreign loan by a German bank. The recipient— the Anglo American Corpora-tion of Oppenheimer himself.

Post-haste

"In future, send it by carrier pigeon" is probably the best advice to give a local govern-Back in civvy street, Gadsden ment official in Rockland



as in the

FINANCIAL TIMES SURVEY

Monday May 11 1981

WORLD BANKING

PART ONE: Part Two will appear on Wednesday May 27

The sheer scale of international lending to governments, multinational corporations and other big borrowers presents a major challenge to the world financial community. This section of the survey reviews probable lines of action as this decade unfolds.

Focus on high risk areas

By Michael Lafferty

ONLY A few weeks ago Sir Anthony Tuke, retiring chair-man of Barclays Bank, told shareholders in his final annual statement of the problems which banks face from country

developed countries, which are already suffering from the re-cession affecting the developed products, might, however hard they try, be unable to pay the ever increasing cost of their oil culties facing international banks today. Some, and it countries' ability to buy their dence. countries could, as a result, find difficulty in servicing existing are turning away from the syn-loans. Our responsibility to dicated loan market through shareholders forces us to take

Sir Anthony assured share-Sir Anthony assured share-holders that Barclays Bank was "alive" to the problem and had only recently revised the structure of its international lending lines and gathered them together in a Central Advances Department in London. His warning is timely, for there is much evidence that international banks are still not fully aware of the consequences that might follow from a decision by one or two major Less Developed Countries (LDCs) to repudiate their impossible foreign debt burdens. Some bankers hold the view that it is impossible for countries to go broke and much of the industry in general behaves as if re-scheduling deals make every-thing all right again.

Accounting logic would suggest that some provisions ought to be made against part of the lending now outstanding to LDCs, and certainly implies "A significant worry facing international banks today is called country risk. This is partly political but the greater risk is because a number of less view. This is hardly surprising, decelered countries which are since the very action would cut deep into the equity of some banks, possibly affecting confi-

> could be an increasing number, which most of these countries' loans are raised, but many banks continue to lend money

serves should be at risk in this at such fine margins that their

more prudent colleagues ex-press amazement. The problem keeps coming up. Over the past two years the Iran situation was very worrying. This year Poland, which is not an LDC, has been the great worry. Only a few months ago the Polish authorities said they were seeking to defer repayment of \$7.5bn of money due to the West, of which over \$3bn is owed to banks. A similar exercise will be necessary in respect of debts maturing in 1982, and probably in 1983 as well. It seems worth recalling that when Poland first made its rescheduling request in March it was talking about margins of 14-14 per cent over Libor for the rescheduled debt and few banks protested,

Enormity

A continuing and increasing worry for banks is the enormity of Brazil's foreign debt. This is expected to grow to \$60bn this year, although only a portion is owed to the banks. Brazil, incidentally, is paying margins of more than 2 per cent.

Despite all this, it remains the case that the public has only a very rough idea of the true extent of banks' sovereign lending exposure, even on a lending to governments by dif-global basis. Individual bank's ferent parts of a banking figures are for the most part a group, but embraces lending to great secret and it appears that bank supervisors are only now asking for this information in

have been lax in gathering seemingly essential informa-tion, this could relate back to

The big banks	<u> </u>	United States	
Money rates	П	Canada	1
Rescue operations	Ш	Belgium	XII
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Turkey

Yugoslavia

managements have not had the information themselves. The problem is not limited to direct group, but embraces lending to businesses within countries, and is equally true of lending The Massey-Ferguson affair of the past year seems to have been highly revealing on this

Savings banks

Market shares

point.

Balance sheet techniques

the fact that central bank ment in at least one major bank creditor had not been aware of the true extent of the bank's exposure to Massey until the crisis was upon the group. Quite simply, they said that the bank in question had not consolidated all its lending to Massey, whether it was through domestic or foreign entities, to differing companies in Massey group. looming problems

Leading U.S. bankers country risk are probably the main subject of discussion

of the past year or so demon-strate how big banks can get into trouble through unexpected in the marketplace. In Germany, the proud Commerzbank was badly hit last year because it found itself funding a large portfolio of fixed rate lending on short-term funds with rising interest rates. Over in Belgium Banque Bruxelles Rate. Lambert was seen to be suffering somewhat similar problems, aggravated by index-linked payroll costs. In New York Citibank, the highly professional bank, has had its problems because of having to fund a large fixed rate consumer loan portfolio out of much more expensive funds, while Citibank's UK operations suffered an exceptional loss of £31m gambling branches are even necessary on the direction UK interest

interest rates in the UK is a matter of great interest to the British clearing banks. They British clearing banks. They have earned exceptionally high profits in recent years because the government's interest rate policy, and their own strategy of not paying interest on current account balances, beyond a notional allowance against bank charges It has long been clearing bank policy not to charge personal customers for many highly expensive banking services they receive, in return for the "endowment" of the current accounts.

The trend towards lower

Over the years, however, the

among bankers, but the events branch bank system have risen greatly, and are now said to have an interest equivalent cost changes in interest rates, much as the clearers did very well more a traditional change when interest rates were high, they run the risk of possible lasses if rates ever go very low again. Some banks are already talking about having minimum base rates, which would no longer reflect the Bank of England's Minimum Lending

> The cost of running branch networks is a problem facing many of the world's largest banks. Some have tackled the difficulty already by seeking to make all services self-financing, and by separating retail and corporate services, but one or two-and Citibank example-are already beginning to worry whether the traditional much longer for the delivery of personal banking services.

Revolutionary

This line of thinking has been encouraged by the almost revo-lutionary developments which have been taking place in U.S. consumer banking in the past two years. Merrill Lynch, the largest Wall Street broker, has shown what a nonsense U.S. banking regulation has become through its Visa card and cheque book-linked Cash Management (CMA). Merrill is effectively their running bank current accounts systems without being defined as a bank, or being subject to all the related prudential rules. It does even

CONTINUED ON NEXT PAGE

The temperature in this area recent weeks because of the Express and Shearson, Loeb Rhodes, the second largest Wall comes of this, too, is a proposed service similar to Merrill's CMA linking the broker's money market funds which attract unthe population of Amex card-

Now the U.S. part of Visa, the worldwide consumer payment systems organisation, has claimed that it too is able to offer CMA services on behalf of interesting for several reasons. not least because of the fact that Visa-until now a service organisation-would become a little like a bank itself.

But it is not such a great step from Visa doing this in the U.S. to doing it worldwide. The opportunities and challenges of consumer banking in the eighties will be discussed in greater detail in Part II of this survey, but suffice it to say that change is now taking place at such a pace in this area that many banks—which have so far ignored developments-run the risk of losing out.

One area where all major banks will certainly need to markets they are seeking to serve. Today it is commonplace to hear bankers say that if they need traditional are setting out to serve the consumer or retail markets from

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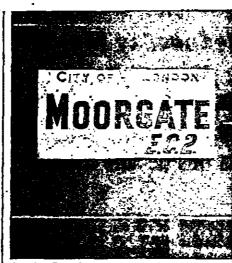
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CORPORATE BANKING

The big international banks, their role in providing finance for world trade and industry and the competition among them for market

claiming to be international, but the description needs care-ful qualification. There are, for example, only a small num-ber—possibly 20—really large multinational banks with substantial physical operations in

many parts of the world. The big American banks—Citicorp, Bank of America, Chase, Morgan Guaranty, Chemical, Manufacturers Hanover and others, are unare the big British banks like Barclays, National Westminster and Standard Chartered. Lloyds might be a candidate and Midland is certainly in potential contention.

Elsewhere in Europe, the list must include names like Credit Lyonnais, Societe Generale, ENP. Paribas and one or two others in France. Deutsche Bank is probably the only Ger-

man candidate.

This list does not include names like Credit Agricole.
Westdeutsche Landesbank, or Instituto Bancario Sao Paulo di Torino—though these institu-tions are certainly ranked among the world's largest banks. Nor does it include Banco do Brazil, virtually all of whose assets are in Brazil.

Distinctions

The distinctions are drawn simply to focus on one group of international banks which become multinational in

a big way.

For the most part they have got there by policies of branch-ing and acquisitions, initially by following their corporate customers around the world. Some of the banks, like Barclays, have not limited themselves to the large corporall aspects of banking, wherever opportunities arose. In different countries around the world Barclays has bought finance

The leaders in the top division

THE WORLD is full of banks houses, branch banks with a in Eurocurrency banking, and typical mixture of business, has been active over retail banks, and more.

In some respects Citicorp has done the same, with one important difference—it has moved its management and organisation onto international product lines, with a separate

retail banking division. It is not all that long ago, however, that most interna-tional banking was done on the basis of correspondent rela-tionships—foreign banks which acted as agents for the bank in the home base. The trend to-wards global banking really got underway in the Seventies.

Banks had, broadly, three options: outright mergers across national frontiers; joint: ventures with other banks—the consortium approach and inde-

It seems that the consortium approach was all the rage in the sixties, and attracted support at one time or another from just about every major bank in the world, most of whom are highly critical of joint ventures today.

Sometimes the consortia had high flown ambitions: the original shareholders of Orion Bank, National Westminster, Chase Manhattan, Royal Bank of Canada—once thought that Orion might become a vehicle to merge all their worldwide

That idea came to nothing, not surprisingly. But the rationale for the coming together of the EBIC consortium with Midland, Deutsche Bank, Societe Generale, etc. was at one time that all these banks should merge to create a giant Eurobank. There was much enthusiasm about progress towards a united Europe, allied with a strong desire not to be over-shadowed by the big the big American banks.

In practice EBIC has turned out to be the basis of the most motivation is the corporate successful consortium ventures market, says that it might be

acquisition of the old Franklin National Bank in New York, which is now known as European-American Bank.

But today all the evidence is that the EBIC links are fading. at least a little. Midland Bank has been forced to change its traditional policy of relying on correspondents by pursuing a belated policy of branching and acquisitions in several continents. Its proposed acquisition of Crocker National Bank of California may even force it to sell its associate stake in European-American.

But while Midland is catching up with the other British clearers, its partner Deutsche Bank seems far from wanting to become another Citicorp or Barclays. It has wholesale banking branches in most of the world's money centres, and historical oranches in South America, but does not seem determined to join the rush for a U.S. acquisition.

Merit

The view of one leading British banker is that the Germans are 20 years behind the British in this area. The comment may have some merit. One may ask why it should make and UK banks to get into retail banking in many centres out-side their home bases, and not

make sense for Deutsche Bank? Dresdner Bank, the second largest of the German banks, may be a slightly different animal. Dresdner has been on the look-out for a U.S. bank, and has even talked about the possibility of some new merged unit having shareholders in both Germany and North America: Again, Dresduer, while asserting that its main

with a retail deposit base. concept is hotly debated. Every

time a new shareholder/ management dispute breaks out — there have been several recently-the critics emerge to say that consortium banking finished.

The evidence suggests that as a long-term concept it is not the shareholder banks gradually markets, and eventually find their objectives are no longer the same. That is why the Royal Bank of Canada last month bought out its fellow shareholders in Orion Bank. Orion had little to offer banks like Chase and NatWest any more. The only pity is that these same banks could not see this two years ago when Orion's then chief executive, David Montagu, proposed just the same course

The majority of consortium banks, as we know them, are Eurocurrency-oriented wholesale banks. But European-American is involved in retail banking, and there is no re why foreign banks should not use a consortium vehicle—new or already established—to enter the UK retail market.

This will only happen, how pean banks in particular give up notions that retail banking is the sole preserve of domestic banks. It seems that the EBIC each other's domestic retail markets. Meanwhile, U.S. and Canadian banks and near-banks are busily competing in UK and and have further ambitious expansion plans.

Michael Lafferty

Balancing act with more than the normal hazards

LONG AND SHORT MONEY RATES

MARTIN TAYLOR

ONE OF the most notable victims of the high and variable inflation rates which have been the scourge of the OECD economies over the last decade has been the availability of long-term fixed interest bank

As companies and individuals

have become more skilled at turning inflation to their benefit, long periods of low real interest rates have ceased to be compatible with controlled monetary growth. So interest rates have been high in nominal terms; but it is the volatility of the price of money, rather than made the banks task of maturity transformation bor-rowing short and lending long more hazardous than before.

Short money rates have been higher than long bond yields in many Western countries for months on end, either because the long-term capital markets retain vestigial optimism about the chances of a reduction in inflation, or because central banks have been creating shortages of credit in the interests of monetary control, which has increasingly been a policy aim of governments.

In these circumstances, to lend long either directly to a customer or through buying bonds-at a fixed rate is to invite disaster, as some U.S. banks discovered 18 months ago, and some leading German banks more recently. The "abnormal" backward-sloping yield curve has almost become the norm. The only question has been how steeply it should

slope backwards.
Not surprisingly, the distinction between long-term borrowing for the equipment of plant (in terms of a single project) or simply as an alternative to equity has become confused with short-term debt for the financing of working capital

The difference in term remains, but now that interest rates on all classes of bank debt have tended to become floating, it is not surprising that corporoverdrafts.

The business is every bit as draft borrowers tied to the look rather more attractive a banks base lending rates which few months later.

in the short run.

price for ten-year funds. The bond markets will still

long-term fixed-interest money. It is noticeable in the Euromarkets, for instance, that the banks themselves want to lend at floating rates in their syndicated credit business while being perfectly happy to stuff their customer portfolios with fixed interest Eurobonds. The only excuse for such double standards is that the customer remains happy to take the risk.

This investment customer has not, on the whole, been the winner recently. As long as the backward-sloping yield curve behave like the World Bank and redeposit in the short money markets funds raised through long bond issues. This is the mirror image of the operation which has brought such prob-lems to those banks with fixed rate assets and floating rate liabilities. Although the bond market

sapplies a partial answer to the problem, it has not been one to which companies have resorted with much enthusiasm, except in the U.S. There the bond market has remained healthy through the late 1970s, and although the soaring and dip-ping of short rates recently has resulted in the absence of cor-porate borrowings for quite long spells, large issues have fixed at interest rates in

the mid-teens. This is tolerable for those companies which have come to the bond market year in, year out, and have thus built up a mixed portfolio of fixed interest debt, the average cost of which is not unduly affected by the occasional expensive refinanc-ing. But if the high interest rate regime in New York con-tinues indefinitely. U.S. com-panies may have to start financing themselves in different

In other bond markets, the Government and its agencies are the principal or even the only significant borrowers (which is not to imply that the U.S. Treasiny is any slouch at crowding out). Everyone agrees that it is desirable for com-panies to be able to borrow in the bond markets, so that credit expansion may be checked by the repayment of bank debt, ate treasurers see their medium- and so that the cost of financing term loans as glorified a capital project may be exactly and so that the cost of financing.

calculable in advance. Companies, though, have prevulnerable to fluctuations in ferred on the whole to roll over short-term rates as if it were their-short and medium term financed entirely on overdraft. bank borrowings, even if at a indeed, at some times recently cost rather higher than they borrowers in the sterling mar might have to pay for long kets at an interest cost related bond mance. It is a question to three month deposit rates of unwillingness to accept have been subject to more immediate risk, combined with volatile conditions than over the hope that the risk might

have remained relatively stable If the U.S. bond market is in debentures. some danger, the German banks' pretending that three-month long-term funds may never

account deficit and the Bundesbank has been obtiged to raise interest rates sharply. Two of the big three banks have reduced or passed their dividends, while the third. Deutsche Bank, explains in its

1980 annual report how it man-

aged, to weather the storm. Overall long-dated credits to domestic corporate customers declined, as fixed-rate loans matured and we did our best to switch the business into our mortgage and leasing companies ... We managed to change our corporate credit business struc-

turally in favour of short- and medium-term variable advances."

Framework

Only Japan among the major Vestern countries has managed retain a financial framework which 12-year fixed-rate money for companies is con-tinuously available. The long-term credit banks take in deposits direct from institu-tional investors and sell debentures both to these funds and to the city commercial banks. They are able to re-lend the money to industrial customers, either on a rollover basis or at a fixed rate based on the long-term prime rate, which has varied in recent years only between 7.1 and 9.9

This enviable system allows the corporate client to plan his cash requirements for debt ser-vice precisely. It depends for its success on the determination of the authorities to give priority to a stable interest rate regime and on the understanding that the City banks, for example, will invest a proportion of their current account funds in long-term credit bank

There is clearly a desire for a All this nonsense stems from willingness to extend fixed rate similar system outside Japan. retending that three-month long-term funds may never Some British banks offer fixed money markets set the right recover from the events of the rate funds to new businesses last year. German inflation has (relatively small sums only) at remained very modest, but the a fixed rate advertised as being response to a growing current cost low enough to evoke power ful nostalgia.

In fact this is nothing more than a cheap marketing ploythe loans have to be repaid in instalments and the borrower goes on paying interest (at 8 per cent) on principal that he has long since repaid. The true rate of interest is more like 16 per

Parody

This curious instrument is better than nothing (just)—the repayment schedule seems almost to parody the great weak ness of borrowing at high nominal interest rates in infla-tionary times, the fact that interest payments in the early years represent accelerated repayment of capital Even if there were genuine long-term finance available, infation would be shortening its real life. Only a tiny fraction—in real terms—of the original advance survives to he repaid at final

maturity.
The obvious way round this linked debt, where the servicing costs are low in relation to the final repayment of principal precisely as in a traditional bond at a time of no inflation Two forces oppose this solution. First, the ability to

deduct interest payments for tax purposes, and, second, the danger that the final repayment liability, revalued annually in line with inflation, may trigger early repayment of some other bank hoans under a restrictive agreement linked to balance sheet ratios if inflation is very

As long as the financial com-munity is able to pretend that

CONTINUED FROM PREVIOUS PAGE

scretch they would not start by building traditional branch networks. Yet the pace at which some of the banks with the largest branch networks are adapting these to modern conditions seems slow for some time. For many of them a new question is arising, which may begt be filustrated by considering international retail banking markets. Traditionally, the U.S. banks have

In the area of international gradually move towards criss-

organised retail operations abroad under the jurisdiction of banking major banks like larger wholesale operations. Barclays are having to reassess which were there first probably. Barciays are having to reassess which were there first probably, whether the traditional geo. They are now finding that the graphic mode of decentralised mix does not work, because the management is the right one culture of retail and wholesale for the next decade. The banking and bankers are so chances are that Barclays will different. The trend, therefore, gradually move towards criss- is rowards cross responsibility lines for separated divisions for retell products and seographic areas: the multinational governments. The hig U.S. banks would institutions, etc.—or ar interchain to have been in this latter—national basis. is towards increasingly separated divisions for retail.

end of 1980, our total assets stood at KD

230 million, an eight-fold increase over 1970.

Massive involvement when big clients hit trouble

RESCUE OPERATIONS

BARRY RILEY

WHEN Massey-Ferguson slipped into financial crisis the number of banks directly involved was around 150, not counting a further 100 or so which had provided resources for Massey's unconsolidated finance companies. The troubled Chrysler Corporation has around 140 lenders, and although most are American the group's Canadian connections have produced important international complica-

International bankers are - with the consequences of years of highly cominternational bank conditions. The old lending conditions. The old tradition of close links between companies and a handful of banks, which would be highly supportive in times of difficulty, has been largely outdated.

For most of the period in which multinational companies have been growing fast, and in which international banking has been showing spectacular expansion, the economic barometers have been set at fair. Now more testing conditions are showing up weaknesses.

Multitude

Some highly complex corstructures have de-It is not just a question of borrowing by parent companies, but typically of a web of liabilities incurred by a multitude of subsidiaries and To make things even more difficult, group struceven more difficult, group struc-tures may owe more to tax in-unlikely that an independent than to economic logic. Further problems can arise primarily interested in employment and exports — take an interest in the proceedings.

approach the problems in from the Government and the slightly different ways. Ameri- main bank, the Canadian can banks are regarded as Imperial Bank of Commerce, and being accustomed to operating in the UK from the Bank of at home in a more legalistic England framework, and so it may be manufacturing operations are in difficult to fit them into the the UK). more pragmatic approach which . The sheer size of the Massey is typical of European banking

Competition among banks

in importance of the corporate can involve serious losses, for impossible to inject the new its bankers at London's will depend on a recovery in minimise eventual losses and straight equity. Treasurer function in large even after the recent rescues equity which was necessary to Dorchester Hotel in December trading conditions and on effective management. If a company have serious social and political porate structure. symbolic of the increased scope for companies to play off one bank against another.

A big lesson of the Masseyit remains vitally important that lead banks should emerge to take responsibility for organising lenders at a time of crisis. In the UK, for instance, Barclays took the initiative in organising a rescue scheme, and the whole plan relied very much upon a system of national lead banks.

For purely national rescue operations it may only be that some government agency can move in to fill any vacuum that exists. Thus the Bank of England having to learn to live — rather has played a part in a number of recent corporate restructur-ings in the UK. It has made sure there is an effective team to handle the problem and it has been ready to resolve any conflicts that develop.

> Some of the smaller banks involved may be tempted to cut and run, and the implementation of cross-default clauses could financial cards tumbling down. The Bank of England has the advantage that it has no commercial axe to grind, and can therefore intervene in a way that a lead commercial bank

Several of the recent UK banking rescue schemes have involved a number of foreign banks. The latter were lending significant sums, for instance, to Stone-Platt and Weir Group, while Borthwick has very important Australasian connec-

In a completely international centives and to regulatory laws agent like the Bank of England would be able to play a role. It problems can arise when is questionable, for instance, governments — which will be whether it would have been possible to stitch together a financial restructuring for Massey-Ferguson if there had The banks themselves tend to not been support in Canada largest

> having big clients no longer provides a degree of salety.

that part of their lending is structure. being forfetted in an attempt to safeguard the remainder.

A big lesson of the Massey multinational company gets still failed to meet them last with the group apparently faced Ferguson crisis, however, is that into trouble? Taking the autumn—an event which form with the imminent inability to group to change its ways.

> the operational policies, so that into small pieces. the operational level Massey

What happens when a major main Canadian bankers, but was a dramatic atmosphere, succeed. example of Massey, the danger ally triggered off the crisis, pay its wages bills, and with signals first appeared several Barclays then played a leading suppliers demanding cash on are viewing with a degree of rears before the real crisis role in organising the group's broke, and banks like Barclays multitude of banks in an were putting pressure on the attempt to prevent a financial roup to change its ways. collapse which would have insmall print have been dragging
Indeed top management was volved very large losses and no on since Japuary and the final

Massey's own scheme proved has not been performing any unacceptable and there fol-

Eventually Massey renegoti- negotiations were attracting a level, a purely financial recon- real evidence that banks wish ated loan conditions with its good deal of publicity and there struction

several governments has not been due until this month. Whether a large multi- rescue operations. worse (and sometimes better) lowed a period of extensive national enterprise like Massey than its big competitors. But international consultations can eventually be restored to

At this stage, inevitably, the is not viable at the operational scheme

Expertise

Moreover, international banks delivery. Provisional agreement anxiety the problems of several was eventually reached - other large multinational enter- some of their bigger equity through negotiations on the prises, with the motor industry stakes-Dresdner Bank has sold in particular still facing serious difficulties in the present receschanged and so were some of doubt the break-up of Massey signing by 150 banks and sion. At least they now have some experience and expertise in the field of international

Certainly they have shown

consequences. Yet there is no cannot to move in the direction of becoming large equity investors

in the past, The German banks have in

shares in Metallgesellechaft. and both Dresdner and Commerzbank have sold large Kaufhof shares. Where UK clearers have been prevailed upon to switch loans , year or so ago, when the into capital, as a means of

In any case the existing cornational companies may not tie. in closely with their banking obligations. The British banks, for instance, would probably in the way that German banks. only ever have considered takfor instance, have sometimes ing equity in the UK operations. of Massey-Ferguson rather than:

in the Canadian parent. For companies, the lesson perhaps is that getting involved with too many banks can be: counter-productive when times. get tough. Many finance directors and corporate treasurerst will now be far more aware of the dangers than they were a than its big competitors. But international consultations can eventually be restored to willingness to be flexible, and correcting impossible balance prudent rivals began to intrude. Massey has been hit seriously which culminated in two wass full health, however, is not a to accept a degree of long-term sheet ratios, they have taken prominently on the financial by the recession, and it has been meetings between Massey and matter for its bankers alone. It commitment if they are to preference shares rather than scene.

Pivotal interdependence with export agencies

TRADE FINANCE

PAUL CHEESERIGHT

CONSTANT INTERPLAY between commercial banks and official export credit insurance agencies in the detailed talks aimed at rescheduling Poland's \$24bn debt to the West has pro-vided biting testimony of the pivotal role of the banks in financing trade and their dependence on the agencies for the security of their business.

The two have fed off each other, each gaining more power and influence as competition inworld trade has increased. It was indeed Britain's fear of being unable to maintain a in traditional markets ing. after World War I which was partly responsible for the establishment in London of the Credits Guarantee ont (ECGD), the Department oldest institution of its type in the world. Indeed, the first flowering of

the co-operation between local

banks and ECGD was in 1928 when for a brief period, a scheme was introduced under history has it, "the banker was and Chrysler problems has to be given an unconditional brought home to bankers that guarantee of payment with the intention of providing the insured exporter with a policy tionships. The phenomenal rise Loans to major multinationals that would give him access to

Meeting the banking challenges of the world through a global credit and operations network.

Since World War II, with the clearing banks and the merchant the guarantees simultaneously expansion of world trade and banks. Traditionally, the former in all three countries is an indi-the increasingly sharp rivalry of used to put up the funds and cation both of the rivalry, of the major trading nations of the latter would make the which

elaborated, refined and panded. The winning of contracts both for major capital provide finance. projects involving lengthy periods of credit and for manufactured goods sold on terms of less than two years has become almost as dependent on the financing as on the quality and

cost of the products involved. The Polish débacle owes much not only to the over-enthusiastic buying of the Poles, especially the mid-1970s, but to the persuasive financing packages put together by banks, shored up export credits guarantee agencies, to encourage that buy-

Guaranteed

export finance is not only profit, ment fees for the arrangement able but secure, especially of finance and a portion or the when official funds are used, as in the case of the UK and France, to bridge the gap the financing and the facility between charged to the borrower on a agency come fully into play. In long-term project under interwhich, as the official ECGD national guidelines and the market rates for the funds.

This profitability has in turned to increased competition among the banks for export more quickly an acceptable finance business and, at least in scheme for guarantee than it the UK case, has broken down

the West, this type of basic arrangements. But the clearers agency relationship is a part, scheme has proliferated, been have established their own mer- and of the international quality ex- chant banking arms and the of trade finance.: The funds are merchant banks are happy to

Competion among the banks

has led them to devote more and more resources to the grant of advice on financial manage--ment to potential borrowers in the loan business later. Lloyds Bank International (LBI) worked for over a year with Hellenic Industrial and Mining Investment Company of Athens before receiving, in March 1980, a formal mandate to arrange financing for a petrochemical

complex in Greece. But once a formal commitment is made between borrower and bank, it is possible for the For the banks, guaranteed bank to obtain both managewhole of the finance itself. At this point the manner of

the interest rate of the export credits guarantee the Greek case, the plant contract could have gone to British, French or Italian companies. In fact it came to the UK hecause the bank was able to work out

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available in all the main financial centres through the Euromarkets. It is the degree of support which those funds have behind them which helps to make up the banking competition.

The agencies themselves have no respect of the national origins of banks. The world's major banks with their network of branches and correspondents can work in most countries on export finance. When Murgan Grenfell of London arranged the finance earlier this year for a Nigerian pulp and paper mill, the ECGD was quite happy to guarantee a facility provided by British, Dutch, Middle Eastern, and Belgian banks.

Such flexibility can have important repercussions. The national guarantees cover the from that particular country—in the Greek and Nigerian cases. from the UK. The countries which have the most flexible systems in terms of the guarantees and the techniques of arranging financial backages may draw business from other

engineering group, has said it Guidelines for Officially Sup-

business on subsidiaries else-Where because it connot obtain the financing and guarantee terms from local institutions.
In the U.S., one of the arguments brought up in Congress

and among the business community against President Reagan's Budget plans to reduce the loan authorisations of the Export Import Bank was that it ture of goods by U.S. companies outside the country.

Concomitant

A concomitant of this is that the hunger of industrialised countries for orders; expressed by implication through the range of guarantee services offered to exporters by official agencies and articulated by the financial expertise of the banks. is leading to the buying of business rather than the selling of it.

"We must support our exporters but what we cannot do and must not do is buy business through fancy financial packages for companies which basically are not competitive and have no prospect of being so," Mr. Cecil Parkinson, the Minister for Trade, told British businessmen last January.

To some degree, though, all the industrialised countries have within agreed limits and become adept at wrapping these financial packages." In West Germany, for This has led to a steady erosion those ea example. Kloeckner, a major of the 1978 Arrangement on ECGD's

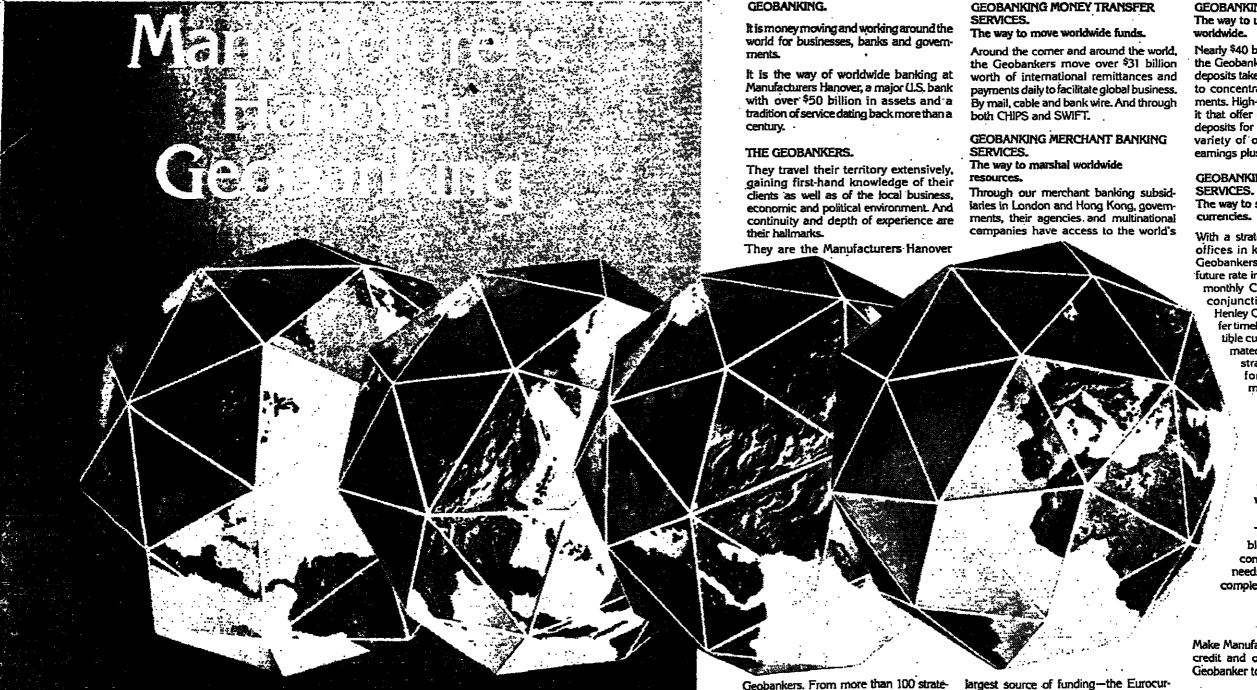
But the fact that LBI sought may source its bids for project ported Export Credit, the high use of subsidies and the inability to agree on a system of guidelines responsive to market cunditions.

The problems here relate to financing for terms longer than two years and are therefore. portion of world trade, mainly that involving capital goods. In the UK case goods sold on credit longer than two years make up only about 5 per cent of exports.

Precise practices vary, but the relationship between the banks and the guarantee just as short-term agencies remain important for the business as for the long-term. "Short-term export finance." noted the Midland Bank Review is provided in nearly all countries through the commercial banking system by such methods us overdrafts, terms loans or the discounting of

The export credit insurance agencies have a complementary rule, giving the exporter cover against payment defaults and political adjusting premiums according to the hazards of the buying market.

In the case of the UK there are services offering guarantees for finance provided by banks exporters can borrow against those guarantees—a link to those early tentative years of development after



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WORLD BANKING IV

SOVEREIGN BORROWERS

The extent of banks' exposure to default by country borrowers is causing increasing concern. These articles highlight some of the main problems.

RAPID GROWTH international bank lending in recent years has focused everincreasing attention on the risks. inherent in such business.

As the numbers have grown - total international bankclaims far exceed \$1.000bn more and more bankers and oank regulators have been asking themselves what would happen if a major borrower country obligations.

The question assumed a note of greater urgency after the downfall of the late Shah in Iran and the sudden brutal onset of economic and political chaos in a country that owed inter-

PLANNING

& FINANCE

More recently still, worries have been expressed about the enormity of Brazil's foreign Currently estimated at about \$55bn it is expected to grow to \$60bn this year, although only a portion of the amount is actually owed to commercial banks.

But despite the fragility of the situation it is only now that reasonably sophisticated statisties are becoming available, largely through the efforts of the Basle-based Bank for International Settlements (BIS), which co-ordinates statistical information provided by its member central banks.

Originally the BIS figures covered only the Euromarket proper, that is to say the claims and liabilities in foreign currency of international banks operating in Europe. But in 1977 they were expanded to include the international business of banks in Europe, the U.S., Canada, Japan and branches of U.S. banks in certain key offshore centres in the Far East and Caribbean.

This was a great step forward. From the figures provided by would enable economists to

Clearer picture of debts emerging

banking system.

The latest BIS figures, for example, which cover the third quarter of last year, show that international banks had lent Brazil \$41.39bn, whereas Brazilian deposits in foreign banks amounted to only \$4.42bn for a net indebtedness of nearly

But if these figures do provide a very broad outline of a country's debt position, more detailed analysis is necessary to give a full picture of the extent of any risks the banks might have incurred.

It might be, for example, that a country had run up a large amount of debt not due for repayment for several years in which case no pressing problems were expected. On the other hand a country which has run up a large amount of shortterm debt is one that could cause problems, simply because it will need to find the cash to repay the debt very quickly.

In 1978 the BIS took statistical work further to take account of this problem. It began to publish, on a sixmonthly basis, figures for bank lending on a country-by-country basis broken down according to its maturity structure.

Propensity

A glance at these figures shows which countries faced a heavy immediate repayment schedule at any given time. At the end of last June, for example, Venezuela, which is famous for its propensity to repay no less than \$12.2bn of its bank borrowings of \$20.8bn within one year. Only \$6.16n of its debt was due in a period of longer than two years.

One might think that figures as comprehensive as these

publish figures for international lending by British banks which show just how far the basic figures need to be developed to give anything like a true picture of international lending activities. The figures cover claims abroad by British banks and the subsidiaries and branches located outside the mately responsible.

They are broken down into lending by sector as well as maturity, with totals available for lending to banks, public sector borrowers and non-bank for example, that British bank lending to Singapore, which at \$3.2bn, was made up largely of short-term interbank business as befits an offshore banking centre. The total due from banks in Singapore was \$2.5bn, ponds to UK banks' total claims on Singapore due in a period of

less than six months. Moreover, the Bank England's figures are also innovative in that they attempt to analyse the risk transfer element in international lending. bank lends money to a customer in one country whose loan is effectively guaranteed by a third party in another.

Frequent examples of are interbank loans when the borrowing bank is a branch of. say, a German bank located in risk inherent in the loan is German and not Brazilian. Export credits which are guaranteed by the Government of the supplier country also involve such a risk transfer.

Thus, for example, British the BIS one can obtain a fairly. obtain a very accurate picture of banks had lent some \$5.20m to clear picture of the net a country's debt position. But Brazil by end-June 1980 but indebtedness of individual a number of problems remain, only \$4.2bn of this represented

countries to the international not least the time-lag before the true Brazilian risk and only process become available. \$1.7bn had been lent to the

non-banking public sector. figures is that they do not take risk transfers into account. For example, if a Libyan bank Narodny bank in London, that will show up in the figures as a claim against Britain, whereas accurately described as a claim

against the Soviet Union In addition, the BIS figures are not broken down into lending by sector along the lines established by the Bank of England.

Sketchy

All this means that the public has only a very sketchy idea of the true extent of international banks sovereign lending exposure even on a global basis. Where figures for individual banks are concerned, the question is even more shrouded in secrecy. Few indeed are the banks that

will reveal the extent of their exposure to a given country, or indeed of their lending limit

to a particular borrower. It is clear from the behaviour of banks in the syndicated loan market that such lending limits resistance that built up to Italy in the first quarter of this year was in part at least the result already lent that country some \$6.5bn in medium term Eurowish further to increase their

But for the outsider, whether the shareholder of the bank or merely a depositor, the prudence with which such limits are applied has to be precarious and competitive world of international finance there is little means of telling

Peter Montagnon

Weak economies ask for more time to pay

RESCHEBULING

JEFFREY BROWN

THE LAST few years have provided a considerable test for the talents of the bank executive whose job it is to handle the re-scheduling of sovereign borrowing. Oil prices have skyrocketed, world interest rates have risen sharply, and as a result the queue of countries forced by the weakness of their economies to go cap in hand to the banking system and ask for more time to pay has lengthened rapidly.

The toll has been heaviest in the developing world - North Korea, Zaire, the Sudan and Jamaica have all recently kept bankers working late into the night-and as each new cry for help has been heard the debts involved have risen. Poland, the international banking system's latest attack of migraine, sits on about \$24bn of foreign debt, of which twothirds is directly owed to the world's banks.

Negotiations

In some ways re-scheduling is one of the more hated words in a bank's vocabulary. It involves messy and timeconsuming negotiations, and is fraught with worry and con-siderable risk. But it is one of the penalties banks have to pay for operating at inter-national level. Some banks, those specialising in advising countries on their cash-flow problems, have actually shown they are capable of turning re-scheduling to good advantage. Demand for aid from

countries seldom comes as a complete surprise to the lending banks. The full extent of the problem in Poland may initially have been under-estimated, but Poland is something of a special case. It is not a member of the IMF, and COMECON countries have never been among the most enlightened in terms of financial disclosure.

For the most part lending banks will have a pretty good idea of the way the wind is blowing. By the time a stricken country formally appeals for a suspension of debt repayments. most bankers have long done in recent years, their sums, and adjusted their Admittedly, their sums, and adjusted their Admittedly, many other books, accordingly. For months countries have found themselves banks, helped by the Bank for in a position where they were no International Settlements, will longer able to meet capital have carefully moditored the repayments on their interexport performance and debt repayments. Examples range export performance and debt activities of any high rick as widely as Turkey Nicarana. Sovereign borrower.
When the two sides finally

come to the negotiating table each will have a fairly good idea defer repayment of \$7.5bn due of what can be expected of the to the West this year the other. What happens thereafter situation was different.

is a matter for hard bargaining. possible, interest payments trying to equate with each other. The debtor will do its best to while rolling-over the repayacross national boundaries. One use its hard pressed resources ment of loans for as short a nation's capital requirements on as sparingly as possible, while time as possible. Each re-lending can differ strikingly the creditor—the lending banks scheduling agreement poses its from the next. Similarly, the -will be concerned with a rapid return of funds coupled with an increased "fee" to cover the cost, both tangible and intangible, of the rescheduling.

Poland apart, examples of

rescheduling recent years have trodden a familiar path. By the time banks get to the point where they are prepared to commit themselves in principle, much will already be in hand. The IMF will have taken a hard look at the debtor country's books and suggested a package of recovery measures: and negotiations on government loans (export credits and the like) will have been formalised. Thus when commercial banks move towards a sovereign re-scheduling agreement they do so in the knowledge that some sort of framework guarantee already

A sovereign borrower will sit down to negotiate with its bankers armed with a merchant bank adviser and a whole battery of brand new cash-flow projections and proposals for improving the trade balances. For their part, the lending banks will scrutinise the debt servicing schedule and heavily underscore the crunch areas in terms of the repayment of

maturing loans.

own particular set of difficulties. Not the least of these will be in getting the banks to agree among themselves.

The criteria by which individual banks take decisions varies from country to country. Some, especially those with strong government links like banks in West Germany and Austria, may be influenced by political pressure Others, such as banks in the U.S. tend to place a far greater emphasis on their responsibilities to shareholders.

Burden

Often a bank can decide that it is prudent banking practice to run down its exposure to a country, if not wipe the slate entirely clean. This sort of policy obviously increases the burden on those banks who are forced to continue to lend either for political reasons or because their existing commitments are so large they simply dare not turn off the tap.

When there are influences as divergent as these it is hard to get lending banks to agree on a cohesive strategy, and when the number of banks involved extends to three figures the problems tend to multiply alarmingly. No fewer than 450 individual banks are owed money by Poland.

Essentially the lending banks

Different accounting practices
will want to maintain, as far as also pose problems for banks

disparity in accounting regulations between banks in the U.S. and those in many parts of Europe can be very wide indeed.

The real cost to the lending banks of re-scheduling is hard to define. In theory the expenses of the deal are covered by the re-negotiated terms of the loan which should take into account all legal fees plus the cost of paperwork. But banks would seem to pay dearly in terms of management time. There is also a loss of opportunity cost. The cash that a bank is forced to roll-over could, perhaps be more profitably employed in the shape of loans to other, more creditworthy, borrowers.

But re-scheduling is not all to do with recouping debt. A number of merchant banks act as independent advisers to difficulty. Kuhn Loeb, Lazard Freres and Warburg are major participants. Morgan Grenfell was prominently on hand in the re-scheduling for the Sudan.

For their services merchant banks charge up-front fees, but whether an advisory role of this nature is undertaken as a loss leader — in the hope of juicler returns once the ailing client country is restored to sound financial health—is not entirely clear. The recent volume of advisory business has however

Poland gives system its worst fright

CRISIS NATIONS

PETER MONTAGNON

POLAND HAS this year given the international banking system one of its worst frights

servicing ratios of any high risk as widely as Turkey, Nicaragua and Sudan.

But when Poland announced in March that it was seeking to

First, the amount was larger than in any rescheduling operation to date. Of the total \$7.5bn only \$3.1bn is owed to banks this year, the remainder takes the form of debt granted or guaranteed by Western govern-

But the banking community is painfully aware that a similar exercise will be necessary in respect of debt maturing in 1982 and probably in 1983 as well.

Next year Poland owes the West an estimated \$7.1bn and the year after the figure will still be as high as \$4.3bn.

The size of the problem was compounded in Poland's case by two further factors. First, the rescheduling negotiations have

political back ground to the country's economie difficulties involved extreme East-West tensions of a type to which banks are totally unaccustomed. It now looks as though Poland

will complete a rescheduling agreement with Western governments and banks by the middle of this year, but if the Soviet Union were to invade Poland the chances of such an agree ment would be suddenly and immediately reduced to zero.

In that case the Soviet Union Fould have to assume responsibility for debt repayments, and if it could not find the cash Poland would simply have to had to take place without the support of the International \$13bn exposure to Polend with Monetary Fund (IMF) and the losses larger than ever some

CONTINUED ON NEXT PAGE



Kleinwort Benson

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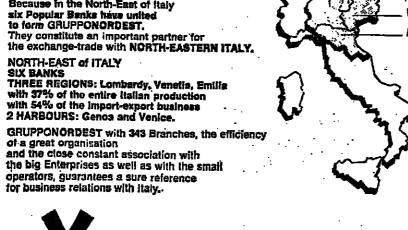
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WORLD BANKING V

Outwardly changed but essentially the same

EUROBONDS AND EUROCREDITS

JOHN MAKINSON

THERE IS no straightforward recipe for the concoction of a. eurobond or syndicated euro-credit. In the face of intense competition in the market-place, bankers have resorted to increasingly ingenious instru-ments to satisfy both their own treasuries and their clients.

The introduction of what one banker calls "bells and whistles" on euromarket lending is designed to protect both the lender and borrower from the present extreme volatility of interest rates. The convertible bond, for example, allows the investor to switch into the ordinary shares of a corporate borrower while the floating rate note enables a borrower to hedge against a sharp fall in interest rates.

In essence, however, neither the eurobond nor the syndi-cated credit has changed its spots since the euromarket took off in the early 1970s. Both instruments allow a borrower to raise large sums of long-term money through a syndicate of international banks. In each case, the geographical centre of the market is London and the principal borrowing vehicle is

Negotiable

The main difference between the two is that the eurobond a negotiable instrument which, at least in principle, is sold to retail investors. The credit, by contrast, is held exclusively on the books of the lending banks and cannot be

syndicated credit carries a floating rate of interest pegged to money market rates. This enables banks to match the loan offered Rates (LIBOR), the efficiently against floating rate

Bonds generally carry a fixedinterest rate since investors do also incorporated spreads over not have the same matching the U.S. Erime Rate to attract requirements as banks. The broad diversification of bank loan portfolios means the syndicated credit market can also accommodate horrowers of slightly lower quality than would be normal on the bond markets. Finally, the immense lending resources of banks mean the sums raised through ndicated credits can be much higher than would be possible

All these considerations play floating-rate funds will help to

in the Eurobond market.

in the case of a syndicated ment agencies which have continous financing needs either for specific projects or for general balance of payments financing. Major borrowers, such as Brazil and Mexico, are in regular contact with many international banks. The outline of their borrowing programmes is worked out well in advance.

In organising a specific credit, the borrower might either invite bids for a fixed sum or approach a particular bank and ask it to make a proposal. In the first case, several competing groups of banks would be likely to submit detailed borrowing terms and the borrower would accept the most attractive offer. taking into account the reputation of the banks which have

tendered. borrowers regularly invite bids from a broad cross-signed. The whole process, from section of banks. Scandinavian the award of a mandate to the borrowers are particularly keen to shop around. Others prefer the second route and contact cult credit, it might drag on for single banks with which they six months. have long-standing ties.

In this instance, the bank would agree rough terms with approach either one or several the borrower and then try tosell the deal to a number of other banks. A third possi- house might approach half a bility is that banks might dozen potential borrowers and themselves approach the borrower and suggest a credit in the belief that the borrower was well regarded at that time.

Whatever course is taken. any syndicated credit will be fully underwritten by a group of managing banks before the deal proceeds. In the case of a typical \$250m credit the management group might consist of 10 banks.

They will have agreed with the borrower both the maturity Partly for this reason, the of the loan, generally between rate at which banks in London lend short term money to one another. Recently, credits have North American banks.

> For a high quality borrower. a normal spread on an eight-year credit would be 1 per cent above the rate on 3 or 6 month LIBOR for 5 years, rising to per cent for the remaining three years. The level of the spread will be determined by on the market and the length of the maturity.

involved, the quality of the borrower's exposure to any particular borrowers could receive their borrower, and the borrower's exposure to any particular borrowers could receive their money a mere three weeks after own preference for fixed or client, some banks will be reluctant to offer credit on fine terms

to a heavy borrower, whatever its quality.

The fees received by the credit, most borrowers are banks form an integral part of either governments or govern- the package. The management the package. The management group will quote an overall fee to the client, perhaps } to } per cent of the total borrowed. This will then be divided between the managing banks. The lead manager will receive for its role a so-called "praecipium" from the other managing banks.

The loan will then be syndicated among anything from 10 to 200 banks, depending on the size of the deal and the amount which the lead managers wish to hold for themselves.

The managing bank in charge of syndication will send out invitations to participate. Some banks will almost certainly decline and the credit will be allocated according to the demand with participating banks receiving a percentage of the fee. When the syndication has been completed, the loan will be signing, could take no more than a month. In the case of a diffi-

The procedure for a eurobond is similar. A borrower may bond issuing houses to solicit a proposal. Alternatively a single suggest that the market would be favourable to an issue.

Large profit

The manager of an issue can either price the issue in advance, in which case it stands to make a large profit if interest rates fall and the opposite if they rise, or it can fix a tentative interest-rate and then price the deal according to market conditions at the time of the signing.

The manager can take a risk by buying the whole issue and then trying to sell it to other banks, or it can make the bond conditional on the formation of a management group. The fees on a 7-year credit for an industrial borrower would typically total 2 per cent, comprising 13 per cent as a selling concession.

g per cent for underwriting and per cent for managing the deal. The lead manager would receive a higher management

fee than the other managers. It will generally be accepted that some, if not all, of the selling commission will be surrendered during the selling process in the form of discounts. the reputation of the borrower. This is particularly true of the the regularity of its appearance dollar sector where the competition is fiercest.
The bonds will then be sold

a part when a bank and its client begin discussions on Euromarket financing. The sums involved, the quality of the agreeing a proposal.

Crisis nations

CONTINUED FROM PREVIOUS PAGE

before in international lending. The risks are greater even than those arising out of Iran after the downfall of the late Shah. Iran at least had large deposits in Western banks which reduced their net expo-sure to that country. Poland recent years developed an has virtually no cash on deposit advisory service catering especiin the West at all.

In Poland's case therefore one can see the full extent of the fragility of international banking. The West has attempted to handle the probas possible but throughout the follow the lead of governments negotiations there has been the awful possibility that one false awful possibility that one take move on the political front could have triggered a financial crisis of unprecedented cial crisis of unprecedented of the IMF, with which Poland in the belt of the IMF, with which Poland in the belt or belt or eliminary member-

strands. First, the Government Government will have to impose creditors meet, usually within austerity measures on the the framework of the Paris Polish population to restore Club under the auspices of the order to its economy. World Bank, to decide upon the conditions whereby the debt is to be rescheduled.

their lead from this agreement expected, and until they are to the point where it is now and set up their own rescheduling arrangement for financial will not be fully commensurate below the 11 per cent it was credits. Because there can be with the risks entailed in lend-paying on its refinanced debt. as many as several hundred in- ing to Poland, stitutions involved the negotiations are handled by a steering committee of banks which have run up the heaviest ex-

Endorsed

The whole arrangement is

will be successful in restoring

Some crisis nations also turn themselves, their auditors and for advice to investment banks their shareholders that action which specialise in dealing with is being taken to maintain the their problems. Three houses -Ruhn Loeb, Lazard Freres and S. G. Warburg—have in

ally to such problem countries. In Poland's case the rescheduling talks have had to take place without the help of the IMF or the Paris Club, but the basic system whereby the banks in agreeing to a debt rescheduling still holds good.

In a normal rescheduling is to hold preliminary member-operation there are three main ship talks soon, the Warsaw

For their part governments and international banks will have to accept their loans will Commercial banks then take not be repaid as soon as they

At the end of the day most bankers realise that there is no point in imposing rescheduling conditions too onerous for a country to bear. That simply had to ask commercial banks to restrict the second transfer of the simply had to ask commercial banks to restrict the second transfer of the simply had to ask commercial banks to restrict the second transfer of the sec makes the problem worse.

rescheduling request in March it was talking about margins of normally backed up by 2 11-11 per cent over Liber for request from the debtor country the rescheduled debt. At the tion programme endorsed by national reserves and has not rescheduling will in fact allow asked for its debt repayment to the Fund.

This last element is import-This last element is important. It gives the rescheduling and the general public usually assume that an IMF programme will be successful in restoring.

The main and nas not rescheduling will in fact allow it leeway for recovery in its balance of payments. At the margins of more than 2 per moment few of the participants in the talks seem much complaints about Poland's cerned by the long-term future of the country.

The main and nas not rescheduling will in fact allow it leeway for recovery in its balance of payments. At the margins of more than 2 per moment few of the participants in the talks seem much complaints about Poland's of the country.

equilibrium to the balance of in any rescheduling operation present is to seal the crack that payments and allow the boris to minimise the need to has appeared in the edifice of rower country to manage its write down the exposure to the debt repayments normally in debtor country in their balance gets so wide that the whole the medium term.

creditworthiness of the borrower, then losses can be avoided which would otherwise be inevitable. By the time rescheduling

comes up this is more important than obtaining a satisfactory margin.

Improvement

But at the end of the day rescheduling operations are rather hit-and-miss affairs. Peru for example, rescheduled its debt in 1978. At the time it might have been seen seen it might have been seen as an almost hopeless case, but thanks partly to the IMF stabilisation programme and partly to favourable swings in the prices of its principal exports (especially copper) its balance of payments has seen a substantial improvement.

In April Peru repaid early some \$360m of the debt which had been rescheduled in 1978. Its credit rating has improved

In Turkey's case the IMF restructure \$3.2bn in com-When Poland first made its mercial loans to free the country of the burden of interest and principal repayments while it pressed ahead with its economic programme.

international banking before it

Role of an agent bank clarified

AFTERMATH OF IRAN

PETER MONTAGNON

THE U.S. freeze of Iranian assets has had a profound—if little publicised—effect on the way banks look at the legal documentation involved in inter-

national lending.

For the banking community as a whole one of the biggest shocks came with the calling into default of a \$500m credit raised by Iran in the international capital market in 1977. Chase Manhattan was agent for this loan and when the

assets freeze was imposed in November 1979 found itself in a very difficult position. It could not execute a request by the Iranian central bank for transmission of payments due on the loan to other members of the syndicate because to do so would have violated the terms of the assets freeze.

Members of the syndicate were polled by telex and with a simple majority in favour of calling the loan in for immediate repayment it was declared to be in default.

As it happened, a large number of the syndicate members were U.S. banks, but the decision to accelerate the credit left non-U.S. institutions extremely unhappy. They themselves did not have the same quarrel with

default could theoretically have posals. This makes a greater of confusion that arose out of freeze was lifted in late January. obliged them to call in other Iranian credits under crossdefault clauses in the loan documentation.

.Chase's action in instituting provisions. the default proceedings thus became extremely controversial. It immediately threw up questions about the role of an agent bank in any deal and banks began to realise that even if they could do little about a borrower who actually refused to repay a credit they could and should take some steps to protect themselves against precipi-tate action by banks with which they had joined in a syndicated

around the Iranian affair it has become clear that loan docu-ments spell out the role of the agent bank much more pre-cisely than before. The agent bank is the syndicate member which administers payments arising out of the loan on behalf of the borrower and other syndicate members.

Declaration

Most loan agreements now specify that at least 66 per cent of the syndicate must agree to a declaration of default—instead of the simple majority common before.

The percentage applies not to the number of banks involved but to their share of the total amount outstanding. Moreover, default cannot in most cases now be declared without proper consultation between all the Iran as their American counter- banks involved to give them a international banking system. None of the suits had been within m parts and the declaration of chance to make counter-pro- against a recurrence of the kind settled by the time the assets of funds.

possibility for consensus to be Iran. reached than a mere-ballot vote. Ba Another common change has concerned the so-called clawback

In the Euromarket the agent bank must sometimes arrange payment of interest and principal to its fellow lending banks before it is sure that the funds have been received from the borrower.

This is because settlement of such transfers usually takes two days. The agent bank has to assume that the funds will be made available by the borrower on the due date and make arrangement for the other syndicate members to be credited ahead of time so that they will receive payment on the same day.

But if the borrower does not produce the money the agent bank can find it has paid interest and principal to other lenders from its own account. Previously it usually had six months to claim the money back, but now loan agreements commonly specify that agents must reclaim the funds within ten to 15 days. Otherwise they are not entitled to recover the

Changes such as these have led to a refinement and clarification of the 'agents' responsihilities in a way that is generally welcomed by international banks. They do require greater expertise and control on the part of the agent, but the net effect has been to protect the

Bankers point out that loan documentation is constantly being refined to take account of new circumstances as they arise. Iran is not the only instance

that has led to a review of loan documentation. A Nigerian jumbo credit for \$750m arranged in 1978 also ran into documentation problems when French banks found themselves unable to disburse funds because of an order of attachment held by three companies operating in France which were owed \$3m in connection with cement

deliveries. Withdraw

A formula was found allowing the French hanks to with-draw temporarily from the syndicate and re-enter on the next available opportunity. This so-called "Nigerian wording" has been applied on other occasions since.

But one legal precedent which might have been set by the assets freeze, and was not, relates the question of who controls what in international bank-

One of the most vexing elements of the freeze of Iranian assets was the U.S. decision to apply it to the branches and subsidiaries of U.S. banks located outside America. This gave rise to several lawsuits, notably in Paris and London, in which the U.S. banks claimed the right to freeze the funds and the Iranians claimed a right to have them back.

Afterwards there was hardly any point in pursuing them and the opportunity to establish a legal precedent of far-reaching proportions was lost.

Another point worth noting is that the changes in loan documentation emerged since the Iranian freeze are unlikely to have much material impact on the situation in Poland.

Most of the syndicated loans to Poland falling due now were arranged before the Iranian freeze and the documentation relating to the role of the agent bank could not therefore have taken the Iranian experience into account. In these cases an agent bank may still only require a simple majority to accelerate a loan and it may still be possible to do so with-out full consultation with members of the syndicate.

For its part, Chase Manhattan, which played a crucial role at the start of the Iranian saga, is now wholly unwilling to discuss the agency aspect of its operations, but officials at the bank do claim that the expertise it developed in handling the settlement of credits once the hostage agreement had been reached has restored its reputation as an agent bank.

In human terms this meant lot of very hard work. The bank's agency staff worked round the clock as details of the settlement came through. Telex tapes were constantly up-dated so that messages could be to syndicate members within minutes of the receipt

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World Bank set for a period of consolidation

INTERNATIONAL INSTITUTIONS

At the centre of the world financial

agencies—the World Bank, the International Monetary Fund and others—which are here reviewed.

WITH GUNFIRE whistling over the parapet, the wise man keeps his head down and bides his time. Such are likely to be the tactics of Mr. A. W. Clausen who takes over on July 1 as president of the World Bank, now under steady sniper attack from the Reagan Administration. It is apt that Mr. Clausen has

a lower key personality than the ebullient Mr. Robert McNamara, the retiring president, since the World Bank may be set for a period of, at best, consolidation after a decade of growth.

That was not the way Mr. McNamara planned it. His parting wish has been to give the

bank's operations a big push, raising lending from \$20bn a year by 1985, on present plans, to \$30bn a year. The Reagan Administration has not con-clusively scuppered this goal, but rendered it highly debate-

Coming from San Francisco, where he has headed the Bank of America (largest in the world). Mr. Clausen is attuned to seismology and may therefore recognise the shock wave which the Reagan Administration has sent through the World Bank as fairly high on the political

The World Bank's problems with its host country and biggest contributor have grown in recent years. Foreign aid in general and multilateral aid agencies, like the World Bank, have become increasingly un-popular on Capitol Hill and among the U.S. public. (Last year 84 per cent of respondents to a Gallup poll wanted aid

influence in the Executive than

Those Administration officials with no doctrinaire brief against he bank, such as Mr. Donald community are the big Regan, the Treasury Secretary, nevertheless argue that the Reagan domestic economic programme can do far more to pull the world economy along than dollops of foreign aid. They also point that there was never the slightest chance of, or justice in, foreign aid escaping the budget-cutting are when domes-"aid" such as food stamps

was being sliced. Officially, the Administration says it is abiding by previous U.S. commitments to the World Bank. But it is proposing sig-nificant adjustments, and the most important concerns the U.S. contribution to the International Development Association (IDA), the bank's soft loan

Poorest

IDA credits go to the poor-est countries (those with incomes of less than \$825 a head) which find it hard or impossible to raise private funds. The credits are repayable over 50 years with a tray annual

President Reagan is asking Congress for \$3.24bn for IDA in 1980-82, but proposes that the bulk, \$1.85bn, should be paid in the final year. This gives Mr. Reagan his immediate budget savings, for the 1981-82 budget in particular. Yet it raises grave doubts that the full sum Mr. Reagan promises will actually be forthcoming. It is not easy to see a Congress which knows foreign aid to be a popular punchbag voting a big IDA increase just before its mid-term autumn 1982. elections

Other industrialised countries which pay into the IDA fund, chiefy Japan, Canada and those in West Europe, have had to rear 84 per cent of respondents on a Gallup poll wanted aid broken the IDA terms which stipulated that a country's But the advent of the Reagan annual payment would not drop

Administration has given oppo-nents of the World Bank more below 29 per cent of its overall three-year contribution.

They have made it clear, however, that they do not like the U.S. move, and have refused to provide IDA with more advance payments on their Development Bank—but its dues. (Under IDA rules no prime focus will be on the donor country need pay until the U.S. has, and so far the U.S. has not of ar the U.S. has not.) The upshot was that at the start of April IDA stopped committing itself to new loans. Resumption will depend on how soon the U.S. Congress makes good its arrears and divers to IDA

and dues to IDA. This is not of course the first hiatus in IDA operations. It lent no money in 1968, the year Mr. McNamara took over, for lack of U.S. support. The difference is that the Reagan Administration has placed a bigger question mark than ever on U.S. participation in the World Bank and its works.

The Administration is not reneging on its \$8bn share of the World Bank's \$40bn capital increase (a doubling of its capital), but it is spreading it out over six fiscal years, 1982-87. This is not a serious inconvenience to the bank, although some there who question the point of Mr. Reagan's move only 7.5 per cent of the World Bank's capital is paid in. The rest never leaves national treasuries.

One of Mr. McNamara's last initiatives has been to suggest that the World Bank spin off an energy affiliate, which would further increase the bank's expansion into energy explora-

tion and exploitation. While a number of technical issues would have had to be ironed out if this energy bank were to go to the markets on its own, the proposal met a generally favourable political response, with many seeing it as a means of involving OPEC countries in a solution to a problem of their making.

Lnergy

The Carter Administration was disposed towards the McNamara energy bank: the neagan Administration is not arguing that this is the sort of activity best left to private oil companies financed by private banks. Financially, an energy affiliate could get off the ground with-out the U.S., but whether it could politically is another

Objection to the energy bank is part of a wider suspicion on the part of some conservatives in the Administration that the World Bank promotes state socialism at the expense of private enterprise in the Third World. The U.S. Treasury is in fact carrying out an internal study about whether there is vate sector, which the Reagan Administration believes should be the major engine of develop-

ment banks in which the U.S. participates—the Asian Development Bank, the Inter-American

World Bank. The nub of the conservative Americans is that the U.S. has objection is that the Werld Bank no divine right to have the and IDA make too many of their bank sited in its capital or to loans to governments or state organisations. The bank agrees, but points out that in many Third World countries, par-ticularly those eligible for IDA

which may properly belong in The bank says it has always pushed market principles in its olicies, whether requiring a real economic return in appraising projects, or dis-sector in developing countries, couraging Third World coun-

large infrastructure projects, such as dams and highways,

tries from subsidising food or energy prices in ways that increase consumption and take away production incentives. The World Bank also says that when it makes loans to development finance companies, its chief way of reaching medium or small scale private and public companies, it tries to

ensure its money is loaned on at real" rate of interest, after inflation, successful. particularly persuade Americans in recent years of their self-interest in supporting the World Bank. Arguments such as the U.S. wins 18 per cent of all procurement orders emanating from

World Bank loans, the Third World accounts for one-third of U.S. exports, and World Bank loans help U.S. allies and friends, frequently fall on stony The U.S. Treasury study may be largely, to placate the Republican Right-wing, but the World Bank cannot allow the views of the neo-conservatives

America's major partners had already complained during the Carter Administration that the U.S., or more accurately the Congress, treated the World Bank like a political football, kicking it for not behaving by its lights. Pushed by Congress, the Carter Administration generally voted against bank loans to countries-Cambodia. Vietnam-or projects-palm oil plants which compete against U.S. soyabeans—deemed inimiavail, since on these matters the U.S. was always outvoted.

The Reagan policies have ed strains with other

The study will encompass the partners in the 130-member International Monetary Fund as country bank. It is not totally well as some regional developbility that if the U.S. were to its contribution cut its contribution per-manently, the bank could take Washington.

> The feeling by many non-Americans is that the U.S. has name bank presidents (they have always been American), that these should be earned.

When the World Bank a year credits, the state is the only functioning entity and the only body capable of shouldering or so ago set its sights on increasing lending to \$200n a year by 1985, it seemed pretty ambitious. This compared with a total of \$12bn lending and investment commitments made in 1979-80 by the World Bank and its offshoots, IDA and the International Finance-Corporation which channels direct investment into the private

Target

However, a variety of factors have led Mr. McNamara's staff to believe the goal may be too low, and \$30on a year by middecade a better target to aim

The World Bank in previous forecasts has tended underestimate inflation. Second, the oil bills of energyimporting developing countries have soared recently, and these countries could use far bigger capital amounts for energy diversification and pro-

Third, the bank's programme to lend to help "structural adjustment" in developing jects) is still new, but growing fast. Some \$600-\$800m will be lent for structural purposes in the year ending June 30, and perhaps around \$1bn in the following year.

Last, there are the substantial eapital needs of China, which became a member of the bank last year and, with 1bn rela-tively poor people, is almost certainly eligible for IDA to go unchallenged, since until their arguments are rebutted, credits as well as commercial the future Reagan Administrarate bank loans. tion role in the World Bank will be heavily clouded.

Certainly, Mr. Clausen will find when he takes over this summer a bank of extraordinary financial soundness: a Triple A credit rating, government guarantees on all its operations, never a default in its history, and an ultra-cautious 1:1 ratio of its borrowings to its capital. That compares with 28:1 at Mr. Clausen's Bank of America.

Clearly, then, the World Bank has the financial scope to expand its borrowing. But to do so by, say, changing the gearing cal to U.S. interests. It was to no ratio would need the political stration and that may take some getting.

David Buchan

No longer the place for a quiet life

INTERNATIONAL MONETARY FUND

JUREK MARTIN

tary Fund (IMF), for all the image of sobriety which is image or sourcery which is properly associated with the cen-tral bankers' central bank, is no longer the place for the quiet life. It has experienced a year of controversy and change even at times tumult-and the prognosis is for more of the same in the years ahead.

In the course of the past 12 months alone it has had to confront the following series of crises, some to be seen in isola-tion, others inextricably caught up in a tangled economic, financial and political web, by no means have all yet been

Its first truly overt political row arose over the status of the Palestinian Liberation Organi-sation (PLO). Previously, to a degree insulated from real politik, the IMF has for the moment finessed but not solved, this problem, which threatened seriously to disrupt last year's annual meeting and which had caused some OPEC surplus countries, most notably Sandi Arabia, temporarily to brandish the fist of its financial

Pledge

A substantial problem con-cerned its own liquidity at a time when demand for IMF loans was approaching new peaks. This appears on the way to resolution with the Saudi pleage of about \$10hn over two years in line of credit, with an option for a further \$5bn in the third year, and with the pros-pect of an additional \$2.5bn forthcoming shortly from other oil-producing nations and from the Bank of International Settlements Saudi reservations about the PLO issue were assuaged, for the moment by a doubling of its quota in the IMF and a consequent increase in its voting power within the

organisation.

Then there was the implementation of much larger IMF disbursements to needy nations, to the point that they can borrow nearly five times their quota--and in exceptional cases such as Turkey even more, though still subject to the economic conditions for which the IMF is celebrated. Demands on the IMF reached new heights in 1980-81, though none from the industrialised world, as the IMF tackled the problem of recycling and in the process stretched its own usable

The IMF also passed on to its statute books highly significant technical measures concerning the attractiveness of its own reserve asset, the Special Drawing Right (SDR). Although the culmination of a policy lens in culmination of a policy long in train, the SDR is, at least on paper, no longer an instrument which nations could only hold at a cost to themselves. The provision in the Saudi financing arrangement allowing the King-dom, if it wishes, to take the IMF's obligations to it in SDR-denominated paper and subse-quently to transfer such paper to other holders may be seen as a test-marketing effort for the

The IMF also began to address seriously for the first time the fundamental question of whether it was feasible to tap for its own use the resources of the private capital markets. Although no decision has yet been taken, the debate is likely to intensify in the near-term future as the IMF considers the cyclical increase in its resources and whether such conventional means of raising funds (through quota increases and allocations of SDRs, plus specially created new facilities) will be sufficient

Also came the formal readmission of the People's Republic of China to the fold. While accomplished without too much controversy, and while China's needs are more likely to be of greater concern to the World Bank than to the IMF. the largest nation in the world is bound to make demands on

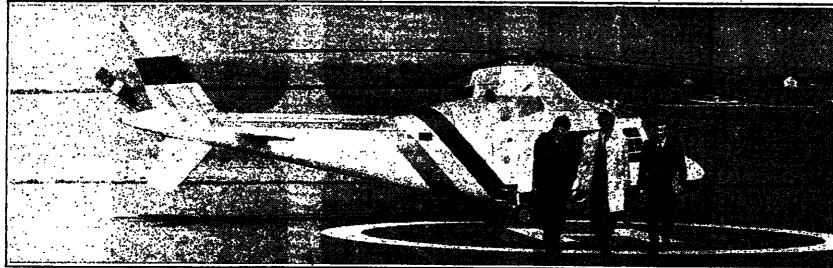
the Fund of some magnitude. If all this were not enough, the IMF has another particular and, as yet, still imponderable problem on its plate in the shape of its relationship with its largest constituent member, the

Unoccupied

So far the Reagan Administration has hardly turned an eye to the IMF. It allowed the U.S. executive director's chair to remain unoccupied for three months. It has so far expressed no opinion about those issues which must shortly be taken up—such as the increase in quotas, a new allocation of SDRs and whether they should be aid-linked, and the possible tapping of the private markets. Some IMF officials are afraid that the philosophy of the Reagan Administration will induce it to put pressure on the IMF to make loans for political and strategic purposes, or to deny loans to those countries it does not like, both of which would be in contravention of IMF laws and practices.

For Mr. Jacques de Larosiere, the IMF's managing director, these have been and continue to be trying times. Having 18 months ago lost the battle, if not necessarily the war, for the creation of a dollar substitution account, he has been inventive and determined in his pursuit of solutions to the IMF's financing needs. But he remains, as is any IMF managing director, at the whim of national political leaders who themselves have enough difficulty in determining desirable policies, both nation

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WORLD BANKING VII

Basle's neutral forum

BANK FOR INTERNATIONAL Settlements

DAVID MARSH

THE EUROPEAN central bankers who set up the Bank for International Settlements (BIS) 51 years ago chose Basle for its location partly because that prosperous Swiss city stands at one of the main crossing points of Europe's railway routes.

The bank moved its headquarters four years ago from a converted hotel to an opulent cylindrical building, which stands like a giant pile of pen-nies, still only a gold coin's throw away from the main Basle railway station.

Although central bankers today arrive from Basle meetings by air from all over the world. the BIS has become perhaps even more important as the discreet hub of the international financial circuit. This is a challenging role in a world that is only little less crisis-torn, but a great deal more complex,

The BIS has three main functions. It helps oil the wheels of the international money marcentral banks around the world. It plays the part of agent for a number of financial agreements between countries. The least formal function, but maybank's role as a forum for international financial co-operation a meeting place where central bankers jointly pit their wits against the disruptive influences of markets and nationally motivated governments.

The BIS obviously cannot act as a focal point for argument and discussion without person-alines playing an important role. Last year saw wholesale changes at the top of some of Europe's leading central banks as younger men took over from ageing incumbents.

This year there has been an

10 years, retiring and handing over to his former deputy, Dr. Guenther Schleiminger, former Bundesbank official, the latter is the first non-French-

man to take charge of the run-

ning of the BIS's day-to-day affiairs since the bank started.

The end of the year will be another important landmark. Dr. Jelle Zijistra, Governor of the Netherlands central bank and president of the BIS since 1967, is retiring. He will be re-placed by a younger man whose name has not yet been decided. The successor will almost certainly be drawn from a short list consisting of Herr Karl Otto Poehl of the Bundesbank, M. Renaud de la Genière of the

Banque de France, Mr. Lars-Wohlin of Sweden's Riksbank, Sig. Carlo Ciampi of the Bank of Italy and Mr. Willem Duisenberg, who will be the new president of the Dutch central bank. Mr. Duisenberg may well be the favourite, Dr. Zijlstra's pre-dessor was a Dutchman too. As a former Finance Minister (like Dr. Zijlstra), Mr. Duisenberg has all the right qualifications.

Discreet

Whoever it is will take over the most profitable bank in the world—and probably the most discreet. The bank's balance sheet has grown to over \$50bn (from a mere \$100m in the 1930s and still only \$10bn in 1970). For the latest year for which results have been announced, 1979-80, the bank turned in a profit of over \$100m or more than \$300,000 for each of its 300 or so employees.

Most of the balance sheet represents simply foreign exchange reserves of central banks around the world, which deposit part of their holdings that the funds will be invested no viauomynous bus vintooms. the world's money markets. The BIS makes its own "turn" out of the placements-hence the effortless way its profits have burgeoned during the last 10 years of rapidly expanding world liquidity.

important change within the balance of payments need. Last BIS itself, with M. René Larre, year its assets included nearly

the bank's general manager for \$2bn in loans to 11 central setting up the bank, which was

Its operations are not just confined to its 29 member counof Western and Eastern Eurone apart from the Soviet Union, East Germany and Albania, plus the U.S., Japan, Canada, Australia and South Africa. The numbers have grown since the BIS was established with just Britain, France, Germany. Belgium and Italy as founder

Practically every central bank in the world now holds money with the BIS, including, and of particular importance, the new countries and elsewhere in the developing world, which now have such a large influence on the exchange markets.

Organisations like the Inter-national Monetary Fund and the two supranational Comecon banks also hold deposits with the BIS. Just one small part of the bank's business was to hold the funds, denominated in Special Drawing Rights, acquired by the IMF from its gold sales programme of 1976-1980.

The BIS also deals in gold, making both spot and forward transactions on the bullion market, lending or borrowing gold, advancing loans against gold collateral or simply looking after other countries'

Curiously enough for a bank with such a high level of expertise in gold dealing, it has no vault space of its ownalthough the new BIS building does boast a sophisticated nuclear fall-out shelter. The BIS uses the services of the Swiss National Bank, the Bank of England and the New York Federal Reserve Bank to store both its own holdings of gold (totalling about 200 tonnes paid in by member countries when they joined during the 1930s) and also the roughly 1,600 tonnes which it looks after under earmark" or on deposit on behalf of other central banks.

The BIS's function as an international agent for financial deals is very much part of bankers' bank." It also grows out of the initial purpose of

act as a purely banking intermediary out of the international political arena to tries. These are all the nations handle : German reparations after World War L

One of the bank's most important jobs nowadays is to carry out the financial side of the agreement under which EEC countries deposit part of their gold reserves in exchange for European Currency Units as part of the European Monetary System. The European Monetary Co-operation Fund, which, formally, is the institution at the centre of the gold pooling scheme, is nothing but a nameplate outside a permanently empty office in Luxembourg. The Fund is really lodged in Basle — which of course is not even in the EEC.

Capabilities

Further evidence of the bank's capabilities as administrator of international financial agreements came just recently. The U.S. Government asked the BIS to take over from the Bank of England responsibility for Iran's remaining escrow account set up after the deal over the Tehran embassy hostages.

never intended anyway to carry on handling the account for struck in January; and the neutral, detached, discreet BIS was the obvious choice to take over the task when it became clear that the unravelling of the complex financial settlement take longer than

The BIS is best known for its role as host for the regular 10-times-a-year meetings of leading central bank governors and their top officials. The main participants are drawn from the "club" of financially top-ranking countries, the Group of Ten and Switzerland, with central bankers also arriving from other European countries regularity—and is starting to and occasionally, from some of enjoy some of the publicity that the oil-producing States as well-comes with financial power.

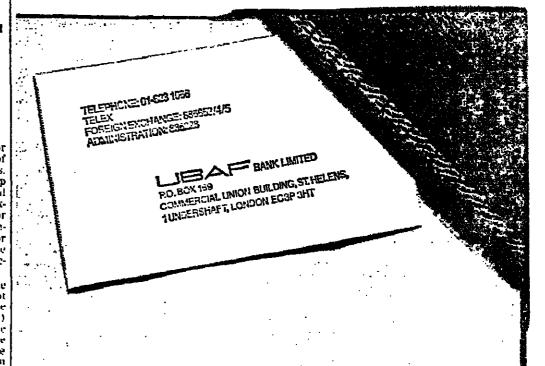
meetings of committees of central bank representatives. They may gather to draw up cuidelines for international banking supervision and exchange market co-operation, or simply to swap notes on com puterised payments systems or methods of controlling the money supply in their respective countries,

The central bankers' Bushe sessions (every month except August and October, when the IMF has its annual meeting were at their most dramatic during the late 1960s, in the dying days of the fixed rate Bretton Woods system, when central bankers still vainty tried to control both the foreign exchanges and the gold market

During the 1970s Basle was the venue for the agreement to assure banking liquidity after the Herstatt crisis in 1974, the measures to shore up sterling in 1977 and the wrangling over the details of the European Monetary System before it was established in 1979.

More recently the central bankers at Basle have patched discussed balance of payments help for Poland and Yugoslavia. (The BIS's biggest publicised bailing out exercise, however, was Portugal in the mid-1970s.) In April 1980 the central bankers issued a rare statement stressing the need for more effective monitoring of Euromarket risks—though it fell a good deal short of deciding any

In March this year central bank governors used the opportogether to decide a Sibn liquidity injection for the IMF. Significantly, the meeting was attended by a representative of the Saudi Arabian Monetary may become more frequent now that the Kingdom is flexing its monetary muscle with greater



The Arab European Consortium for International Banking.



Disappointing moves for accounts users

PRACTICES -

MICHAEL LAFFERTY

THE PAST YEAR has seen a number of important developments in bank accounting, both world. From the point of view of the accounts user most have been less than satisfactory.

One of the most interesting developments came a few months ago when Barclays Bank announced its intention to make a public deht issue in the U.S., as a result of which it filed a registration statement with the Securities and Exchange Commission. This contained a great deal of new information about Barclays' advances. deposits and bad debt provisions-which turn out to be much higher than those of large

But the extraordinary thing about the whole affair was that the additional disclosures, which went beyond what Barclays had just revealed in its annual report, were not made available to UK shareholders. The owners of the company had to be satisfied with advertisements in newspapers which reproduced only some of the

new disclosures.
At least Barclays shareholders can look forward to better disclosure in future annual reports. The same cannot be said for bank shareholders anywhere else in the world, outside the U.S.

Bombarded

Just how much prejudice still exists against truth and fairness in bank accounts was demonstrated over the past 18 months when the International Accounting Standards Committee was bombarded with accounts are most informative is critical comments on its earlier pioneering discussion paper on bank accounts. Almost without exception, banks, banking associations, and central banks in support of this view came in argued the case for maintaining screet reserves, and for allowing bank managements to smooth profits as they wished its long-awaited draft audit from year to year.

The most disappointing aspect of the affair, as far as accounts a bank auditor with Deloitte users are concerned, must be Haskins and Sells, London, in the similar attitude taken by most accounting firms and national professional bodies.

The reactions to the IASC paper are little_different from those in the European Community in relations to the European Commission's recently published draft directive on bank accounts. Accounts users sce little prospect that this document will bring about material improvements in the accounts of EEC banks, since it closely reflects the views of the Federation Bancaire de la Communaute, the banks' own auditors, if asked to specify the stated.

EEC pressure group. As drafted, greatest threat or problem the directive would allow banks facing the world's banking comalmost limitless opportunity to create secret reserves.

Within the European Commission, opinion appears to have been split, with staff in one directorate arguing strongly against secret reserves, but in the end losing out to staff in another directorate which sees its functions as representing the views of the banking industry.

Those EEC officials who favoured truth and fairness in bank accounts cannot have been helped by the split which developed in the ranks of the EEC accountancy bodies just before the draft directive was published. It appears that the British, Irish and Danish professions stood out against secret reserves—whether they were described as such or as "general provisions"—but were outvoted by the collective support for secret reserves which came from the German, French, Belgian, Italian and, sur-

prisingly, the Dutch professions. With bank auditors disunited in this way and little pressure from any of the groups which use bank accounts the outcome

was hardly surprising.
Users of bank accounts met with another disappointment in the U.S. during the year when the Federal Reserve overturned its original proposals requiring U.S.-style accounts from all foreign banks operating in the country. Now the Fed will simply accept such banks' domestic accounts for public filing, and will maintain confidentiality in respect of more informative data given to its officials. Some foreign banks are nevertheless worried that this does not provide the degree of protection they require. In essence, they fear that someone will seek to use the Freedom of Information Act to get access to some of the confidential data.

While the widely-held Eurocertainly true, it is also arguable that U.S. bank accounting practices still leave much to be desired. The strongest evidence December last year when the American Institute of Certified Public Accountants published guide. Audits of Banks. This was described by Peter Woods. the following terms in the FT

Reports
"For a document that has been in preparation for more than five years the proposed American Institute of Certified Accountants' (AICPA) Bank Audit Guide is a great dis-appointment. This is especially so considering the guide supposedly represents the collective wisdom of the banking experts of the American accountancy

newsletter, World Accounting

profession. Most bankers and their munity, would probably nominate country (sovereign) risk. How does the guide deal with this topic? Certainly not in the loans chapter, or in the loan loss chapter, or in the foreign exchange section; it merely receives an indirect reference in the audit planning section . . .

"As for the audit procedures in respect of foreign exchange, these are dealt with in one paragraph. The reader would be forgiven for thinking that three and a-half pages on the audit (counting) of cash compared with only one paragraph on foreign exchange is a somewhat unbalanced approach . . . ,

Window dressing

"How then does the guide deal with the auditors age-old favourite topic of window-dressing? The answer is with ease: it ignores it. From this one can only conclude that American bankers do not practice windowdressing, or that American auditors are not concerned about at.

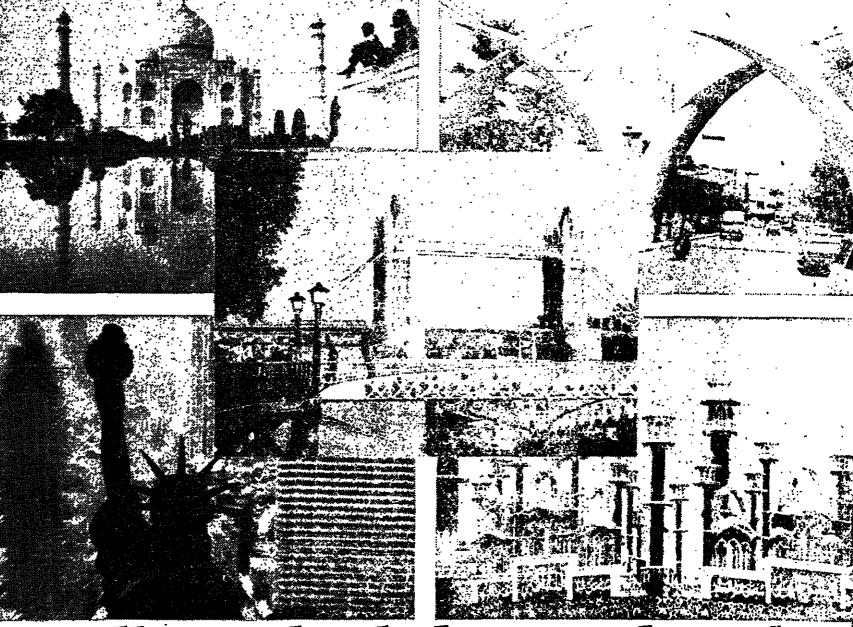
Altogether, one is left with the impression that the auditors could do with a little more bomework.

The English Institute of Chartered Accountants and the Bank of England are working on a similar document for UK banks, but the latest indications are that delays in writing the Bank of England section are likely to prevent publication of In writing the guide Bank officials will no doubt puzzle

over the anomolous position of UK banks in this area. On the one hand, the big commercialclearing—banks and all banks formed in recent years appear to be obliged to publish true and fair accounts, without secret reserves or any form of profit-smoothing. On the other hand, there are a large number of merchant banks, discount houses and other banks which continue to have the right to do what they like in their

The position is inequitable in many respects and has even resulted in one member of the merchant banks' Accepting Houses Committee - Robert Fleming—having to publish true and fair accounts, while all its competitors are free to do otherwise. Fleming says it has applied to the Department of Trade for the same exemption but has not had a reply.

Some merchant banks, like Morgan Grenfell, are now beginning to say that they would have no objection to giving up their Companies Act privileges. They lay down one provise: they want to be allowed to maintain "general provisions" against potential bad debts on the same scale as the London clearing banks. That says a lot about the clearers' provisions, which in some cases are almost certainly substantially



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INVESTMENT BANKING

The article below and those on the following page deal with operations of the merchant banks, portfolio management and bonds and

other forms of investment. LAST MONTH Morgan Grenfell, trades under the untidy label ties in the older Commonwealth security which can be derived the London merchant bank, set of A. G. Becker/Warburg countries, and anyway South from diversification on a global up a New York subsidiary. Its Paribas Becker.

Africa and Australia are scale.

international corporate mergers will be a fairly modest enter-prise, but its inauguration brought it into conflict with More recently, however, the some of its shareholder Banks economic emphasis has changed. symbolises the growing importance for merchant banks of

to provide specialist advice on

Other banks have approached the challenge rather differently. like other forms of trade S. G. Warburg, for instance, has tended to follow the flag. Thus become tied into a complex a bank like Hill Samuel has three-way arrangement involv-subsidiaries in South Africa and ing the New York investment Australia, and indeed this may bank A. G. Becker and the continue to make sense because tional investor has appeared, the U.S. has complex legislation French bank Paribas. In New many British companies still especially in the Middle East, such as the Hart-Scott-Rodino York, the relevant vehicle tend to have substantial activi- with the aim of obtaining the

role, the bank said, would be

One of the big London-based vigorous economies consortium banks. Orion has good places to be in. successfully built up a corporate finance business aimed at multi-Morgan Grenfell Inc. itself national clients. But this has and last week it was announced that Orion is being bought out

In the distant past, banking

vigorous economies which are

Changed

The development of the European Economic Community has ance for merchant banks of that Urion is being by the Royal Bank of Canada international merger business by the Royal Bank of Canada which already has a 20 per cent in general and transatlantic which already has a 20 per cent ing down national barriers and traditions).

> The internationalisation of trade has encouraged companies to seek expansion different continents, while a new breed of interna-

These trends have created great opportunities for investbanks, which have the scope to earn large fees by acting as financial advisers and intermediaries. practice it has not proved at all easy to transplant financial skills and deal-making expertise

from one country to another.

Every country has its own elaborate structure of banking regulations. Moreover, take controlled by official agencies, such as the German Cartel Office and the UK Monopolies and Mergers Commission, while the U.S. has complex legislation

bilities, but big corporate clients are always going to insist that work is handled by experienced local advisers. In the present state of the game, this almost elways means hiring a local

investment bank.

Frustrating though sometimes be for, say London merchant banks to see big fat fees going to New York bankers and law firms when British companies make U.S. acquisitions, they have to accept the need to work in co-operation with the New York banks rather than compete with them.

A bank lik? Warburg may seek refer work to Becker, but even when in specific cases like this there are direct links, the clients may have different ideas and in practice Warburg works with various New York correspondents as the need arises. Of course, it works the other way round when American com-

nanies seek deals in the TIK and hire Loudon advisers because capable of providing domestic UK services on a par with those of the top City merchant banks. The transatlantic takeovers md mergers are inevitably more

problems have not prevented a oig expansion in the number of

German and Dutch companies porate finance advisers. Most direct investment by foreigners, have also been in the hunt for non-U.S. companies, of course, and either block takeovers or

Big investment banks may deals in the U.S., which is seen are not in a position to offer insist on local participation. sometimes suggest that they as a highly attractive free enter their equity as bid currency in Japan, for instance, is still have wide international capa-prise market whatever its current inflationary problems.

Specialists on mergers and takeovers

Profitability difficulties at nome just recently have moderated the activity level of UK companies on the U.S. takeover scene, but it can be excted to pick up again. Meanwhile, mooted deals such as Enserch/Davy and Philip Morris/Rothmans have empha-sised that there is two-way traffic, especially for British companies with strong inter-

When a British company makes an American acquisition, there are a number of stages to the process. First there is the initiation. It may be that a large British company will know exactly what it is looking for. But if not, some merchant banks have teams devoted to searching-out takeover opportunities, and if the suggestions are fruitful, large fees can

national operations.

Then comes the negotiation terms, at which stage American advisers will have to be brought in. Getting through any anti-trust or other regulatory barriers will be the next challenge—in the case of a bank this can easily take a complex and expensive than are purely domestic deals. But the

The complex disclosure requirements of the Securities ransactions, especially since and Exchange Commission will UK exchange controls came off. also test the resources of cor-

of American companies have offered their shares in Britain).

If, as is likely, it comes to a cash offer, the long-term financing of this will be another complex area for advice. Quite often a rights issue will follow in the UK after a decent interval.

Although business both ways across the Atlantic dominates the international takeover and merger scene, other countries can generate useful business for merchant banks. Arab investors like to take a low profile approach, but they have been involved in a significant number of deals, notably in property and hotels.

The overseas Chinese are also becoming important inter-national investors, with some interesting bids coming out of places like Singapore, while there has been a blockbuster offer in the shape of the Hong-kong and Shanghai bid for Royal Bank of Scotland.

South Africa has been quite an active country for corporate finance advisers, though mainly companies has been for divest-ment. In Australia there has been a great deal of interest in the mining and oil industries, together with property and

Many countries, however, Grenfell shows sternly control the amount of tives are there.

except on the basis of certain

ventures of a partnership type. However, even in the less outgoing countries, valuable corfinance business can be picked up. Last year, for instance, Kleinwort Benson arranged a London stock market listing for Toshiba, the leading Japanese electrical

So the search for a truly international vehicle to conduct worldwide corporate finance business will no doubt con-tinue. The U.S. investment banks have the advantage of being much bigger than their European counterparts. would take an overseas bank many years to build up a New York operation to the size at which it would be in a position to compete on equal terms with the existing U.S. leaders.

A takeover of a major Lon-don merchant bank by one of however, immediately fall foul of the Accepting Houses Com-mittee which insists that its members must be independent. Antony Gibbs had to leave when it was taken over by Hongkong and Shanghai Banking Corporation.

Building an international structure will be far from easy, but the example of Morgan Grenfell shows that the incen-

Barry Riley

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foresight and receptivity to new concepts, their perception of complex interrelationships make progress possible.

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Centrepiece for international banking supervision

BASLE CONCORDAT

THE SO-CALLED Basie Concordat dates back to February, 1975 when banking supervisory authorities from the world's principal developed countriesthe Group of Ten—came together at a time of relatively great crisis for banking.

The background to the meeting lay in a series of national banking failures—the secondary banking crisis in Britain, the Herstatt failure in Germany, and the collapse of Franklin National in New York-which it was feared, might produce a general loss of confidence among the international bank-

Responsibility

The Concordat that resulted from that first meeting has since become the centrepiece of international banking super-vision. At its simplest, it says national supervisory authorities are responsible for primarily the international operations of their own banks. Thus the Bank of England has principal responsibility for Barclays Bank U.S. operations, while the U.S. authorities are primarily responsible for the international activities of Citibank and Bank of America.

That first meeting spawned a committee commonly known as the Cooke Committee, after its chairman, Peter Cooke, head of banking supervision at the Bank of England. The committee meets in March, June and November in Basle, with the aid of the secretariat of the

Luxembourg, Netherlands, Sweden, Switzerland, UK and the U.S.

The Cooke Committee's principal achievement to date seems to have been that of getting national supervisory agencies to talk to each other, with the result that much greater awareness has developed about the relative strengths and weak-nesses of national supervision systems. One outcome of this has been a co-ordinated effort to collect and exchange data about bank lending and deposit arrangements—much of which

The emphasis on group supervisory responsibilities has en-couraged some countries such as Germany to take a greater offshore activities. It is said that the German banks have to report group figures to the Federal supervisory office in Berlin, whereas previously they

and frowned on secret reserves in the accounting field remains glaringly obvious. It was high-lighted in a series of submis-

Bank for International Settlesions to the U.S. Federal information: "Disclosure of ments. The countries represented are Belgium, Canada, under the Freedom of Information and similar information, and tion Act in May 1980. In provision of this on a regular manufacture will make the first and the countries and similar information."

had never been collected before.

were obliged to reveal only

domestic figures.

Inevitably the process forced the supervisors to take an interest in bank accounting practices - in many cases, it appears, for the first time. For a period there developed a degree of relatively close co-operation between the Cooke Committee and the Interna-tional Accounting Standards Committee. But this seemed to wither away in 1978 when IASC came up with a discussion paper on bank accounting practices which talked about truth and fairness in bank accounts,

Yet the need for bank supervisors to become more informed

stressed the principle of the said. Basle Concordat, and implied that what the Fed was asking for, in terms of U.S. style disclosures, was adequately covered by supervision at home.

Submission

The submission of the Swiss Bankers' Association reveals that the Swiss central bank had only been receiving consolidated (group) data on Swiss banks' assets and liabilities since about 1976. However, the Swiss banks still refuse to reveal the level of their secret reserves, beyond giving assurances that they meet minimum criteria. The Commercial Bank of Australia agreed that details of loan loss provisions would continue to remain undisclosed, while Bank Hapoalim of Israel, commenting on proposals for disclosures of loan losses, said: "the bank does not provide the information... to any person outside the bank."

It appears that many banks particularly in Europe, do not even have consolidated accounts for management purposes let alone for central bank super-visors. The National Bank of Greece, the country's largest commercial bank told the Fed a consolidation of all its participations "would be extremely arduous. ultimately fruitless."

Even in Japan, the Bank of Japan reported that the number of banks actually submitting consolidated financial statements to it is "fairly limited." The Federation Bancaire of the EEC implied that many of its

general the submissions from basis, will greatly increase national regulatory authorities banks' reporting burdens," it

All of this must raise serious doubts about the abilities of many bank supervisory agencies, whatever the Basle Concordat might grandly state.

The revelations in the Fed submissions suggest, accountants say, that many bank supervisors around the world have fallen foul of the special privileges in bank accounting which virtually all of them see as essential to banking stability. The problem is similar to that of bank management which, not being required to publicly report the true state of the bank's affairs, does not bother to ensure that true and fair for decision-making.

For the most part, the Basie Concordat may be seen more as something to be relied upon as a cast-iron guarantee. In some respects the work of the Cooke Committee may be compared to that of the International Accounting Standards Committee, which was also established in 1975. IASC has little power to bring about changes nationally—it simply tries to do so by persuasion.

It is worth noting that the Bank of England is applying a policy in its supervision work which seems to go beyond what one interpretation of the Con-cordat would suggest. It is only prepared to accept foreign supervision of foreign branches based in London where it is satisfied that the supervision is adequate. It applies the same own member banks do not com- rules to foreign-owned subspile or furnish fairly basic diaries as to domestic banks.

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In the coming years, the list will include joint ventures in detergents, lube oils, catalysts, synthetic rubber, synthetic

fibres, pesticides, paints, plastics... In fact, any project in which oil and gas are primary inputs or outputs. Similarly, projects supplying or developing advanced technologies for producing, processing or transporting oil and gas.





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محداميد لأصل

U.S. companies show more interest

EUROBOND MARKET

THM DICKSON

ENVESTORS IN Eurobonds have experienced some pretty wild gyrations in the last year or so, making strong nerves a has been notable recently; the ample, been a tremendous flood absorb much new paper in the of new dollar-denominated past year; there is a tendency issues which, added to the sharp fluctuations in U.S. interest rates, has at times created extremely unstable conditions in both primary and secondary

New dollar issues in 1980 accounted for some \$16.3bn of the nonetheless evident among \$23.84bn of total new issues during the year, according to figures compiled by Morgan Guaranty. This compares with \$12.54bn out of \$18.73bn in 1979. During the first couple deposit, and the danger of a of months of this year activity, food of new issues being if anything, was even more hectic with a tenfold increase of is always there. As many of

Spate of activity

managers were being accused of throwing dollars at borrowers" during a spate of activity prompted by falling dollar interest rates-sometimes resulting in chaotic trading. In one day, no less than \$525m, of new dollar issues were announced.

All this came in the wake of last year's traumatic surge in short-term dollar interest on paper over the years rather seas borrowers have learned than actively trade. Attracted that they have to pay dearly for their marks; the borrowing in short-term dollar interest rates, precipitated by President package, which took U.S. primes of certificate, private investors to a record level over 20 per have shown less enthusiasm cent. So violent were the movements that even hardened market and are now over- see to that.

operators thought their time whelmed by large institutions was up and many small dealers "Swapping," moreover, is no was up and many small dealers withdrew from the market.

Yet despite all this, another to their own domestic market; market the increase in the size of issues prerequisite for participation in Yankee market, unlike the Eurothis market. There has, for ex-bond market, has failed to past year: there is a tendency for companies, which will gather pace if interest rates fall, to replace short-term borrowing by long-term debt: and new borrowers have been appearing on

the scene.
Nervousness, market participants. U.S. interest rates are still high, keeping money that might otherwise be used to buy long-term bonds on short term deposit, and the danger of a period and cannot be altered if conditions change and the Indeed in early January issue bonds do not sell-it needs only a couple of wrongly pitched offers to puncture confidence and leave the lead banks with

> Market volatility has not been eased by the disappearance in trickle. many cases of the private investor, a stabilising force up a little last month as some because of his tendency to sit of the wraps came off, but overrecently for

much unwanted paper on their

longer just concerned as it was in the past to taking advantage record for new dollar issues is of currency shifts—the speed expected again this year, and volatility of price move-increasingly, U.S. companies ments regularly create Increasingly, U.S. companies ments regularly create appreciate that the Eurobond anomalies between the Euromarket is a genuine alternative market and the U.S. domestic and opportunities through switching to exploit quite small differences in yield. Shadow

> The D-Mark Eurobond market, meanwhile, now looks a shadow of its former self. Three years ago it was matching the dollar as the primary vehicle of the new issue market with the prospect of continued apprecia-tion in a strong currency com-pensating for the disadvantage investors of low nominal yields. The picture, however, has been radically changed by the decline of the D-Mark, Germany's large current account deficit, and the increase in shortterm rates to around 10 per

tic with a tenfold increase of is always there. As many of new dollar-denominated issues over the corresponding period of 1980.

The 10½ per cent coupon paid recently by the European Investing to say, the terms of the bond are fixed ahead of the offering thing of a record for the sector. The Bundesbank (the central bank), in an attempt to narrow the deficit and defend the currency by discouraging banks from lending D-Marks in the Eurobond markets, entered into a moratorium with the country's banks which recently slowed new issues to a

> needs of the West German Government and the persistently the Eurobond high levels of U.S. rates will

Last year the German banks launched foreign D-Mark bonds totalling almost DM 15bn, according to Bundesbank figures. This represented an increase on the previous year but it was below the 1978 level, even in

nominal terms. The cost of borrowing Swiss francs has also increased but foreign interest in 1980 remained high. Interest rates are still low by international standards but the foreign exchange risk is perceived to be less. In 1980 the net issue value of Swiss franc bonds by non-resident horrowers reached

a new record of SwFr 5.42bn. Early this year, however, both the primary and secondary mar-kets began to slow. Several issues were under-subscribed, interest rates began to climb and coupons in April were in the 7.71 per cent region, as opposed to 51-51 per cent in January. The indications are that foreign borrowings are likely to become dearer before they level out.

Finally, the "bulldog" or has Eurosterling market has recently been showing some signs of life. Last month the World Bank announced that it was raising £100m through a five-year bond issue in the sterling market, the fifth "bulldog" since this market was reopened last summer.

The World Bank's return to the "bulldog" market—it has not previously tapped this sector for 10 years—reflects the cur-rent difficulty of raising funds in other currencies. Some of the Bank's recent Swiss franc and guilder denominated issues. for example, have been undersubscribed and last month a planned DM 300m issue, ultimately had to be halved.

Poaching in traditional fields

THE MAIN BANKS

FRANCIS GHILES

DRAWING THE line between investment banking and commercial banks is becoming increasingly difficult. This is true not only in the U.S. but elsewhere. The trend which is leading each group on to the other's ground seems to many bankers to be unstoppable.

In the U.S. the two industries are controlled by different regulators, this is not so in other Western countries. The U.S. banking authorities employ the Glass Steagal Act and the McFadden Act and the Securi-ties Exchange Commission. Many U.S. bankers believe that the two Acts will be overhauled in the early 1980s as the overlap betwen the two industries is already significant. This belief was recently articulated by Mr. James Balog, executive vice-president of Drexel Burham Lambert, at a Securities Industry Association Conference in New York.

As banks invade the traditional hunting ground of brokers, such as revenue bonds, commercial paper and merger advice, brokers are going for deposit taking --- by creating money market funds and cash management accounts.

The same questions came up a few weeks earlier when Mr. Stephen Friedman, a Commissioner with the Securities and Exchange Commission, addressed the Association of whether the 1940 Glass Steagal Act is relevant to eur-

is it nowadays in dealing with conflicts of interest and inside information problems inherent in organisations which combine banking and trust functions?

What are the consequences of excluding investment banking acivities from the securities laws by regarding them as "banking" when they are doing virtually the same thing as securities firms? How much power do the trust departments of the major banks wield? Is there any evidence of any abuse of power? Why are the trust banks losing their dominance in managing financial assets?

These questions and many others beg answers but the trend is clear. The merger of Amex Bank and Shearson Loeb Rhodes is the latest in a string of events which suggest that the next few years will see a redefinition of the legal framework within which banks and securities houses operate. Turning to international

capital markets, frontiers are also becoming increasingly blurred. Once upon a time commercial banks used to organise loans and securities houses bonds, though the distinction was always greater in London than in Continental Europe. In Germany the "universal" banks everything, whereas in France the distinction between the two types of activities was effectively abolished in the

This allowed the three big French nationalised commercial banks to move into the securities field and banks such as Paribas to move in the opposite direction. Some banks in Paris. Bank Holding Companies. He such as Banque Rothschild and even more so Lazards Freres, have

culty with the servicing and redebt. As the list of countries running into problems has This surely is pure banking, participants. and a very lucrative watering

In the UK virtually every large commercial bank has through acquisition of some other means developed activities which a decade or so ago would have been part of the broker's field. This is particularly noticeable in the Eurobond market. Arranging bonds was very much a prerogative of investment houses until the midsixties, when most commercial banks moved into and bought a share of the business. Apart from S. G. Warburg the most prominent investment bank remains Morgan Grenfell to a lesser degree Hambros and Hill

As U.S. interest rates spiralled and the cost of carrying unsold bonds soared, this practice led to some very heavy losses. These losses were all the greater as keen competition led to borrowers being offered ex-tremely fine terms. Some commercial banks—noticeably some U.S. names—appear to have effectively withdrawn from the

Investment banks have been helped back to the front line in the Eurobond market by the

rent conditions. How successful banques d'affaires. Lazard's role this sector. Ability to dispose of in helping promote Peugeot's bonds quickly is essential in merger business world-wide has very volatile markets and not gone unnoticed. The bank though some commercial banks has also acted with Kuhn Loeb have built up their placing Lehman and S. G. Warburg as power effectively others have adviser to various Third World not. Bond houses have an countries which ran into diffi- advantage here and they have been helped by difficult market payment of their hard currency conditions. In this sector of the market leading U.S. investment houses such as Salomon grown, so has the list of Brothers, Merrill Lynch and customers for the three Goldman Sechs remain by far graces," as they are known, the most active and powerful

> Organising loans on the other hand has remained very much a prerogative of commercial hanks, alheit with a few exceptions. No investment house could afford—or in most cases would wish-to commit so large an amount of funds for five or years to borrowers they could never consider as being of prime quality.

Commercial banks have also poached on another traditional area of activity for the investment houses-mergers. There are, however, still rich pickings for the investment houses in a field which is proving very lucrative. New mergers are announced every week and the conclusion in this field at least is maybe that there is room for everyone.

Competition is likely to remain fierce however. Inter-national loops are not as profitable as they were a few years ago and much more risky-witness Poland and Turkey and a of minor rescheduling—and the inter-national bond business is much more risky than when U.S. rates were steady and lower.

The most interesting debate. however, is likely to take place remained prominent growing institutionalisation of already well under way.

Promising potential for overseas investment

PORTFOLIO MANAGEMENT

CHRISTINE HOIR

leading fund magazine, the management "glossy" in the in the U.S. such as Warburg's 11.S., devotes 30 pages of an link with Aetna Life and U.S., devotes 30 pages of an issue to international money management and promotes its annual conference in terms of learning "more about opportuni- ment. ties for dealing in the international capital markets," it is clear that a major sca change has come over U.S. money

Such a change has an immediate and profound impact on U.S. investment banking, for the and trust companies control by far the greatest pro-portion of long-term investment assets in the U.S. The assets of the pension funds, charities and universities have recently heen estimated at just under \$600bn; the assets under investment management by the banks and trust companies at \$536bn. Although these include the retail customers and other institutions, apart from those just listed, it is clear how much of that money they

That money is now beginning to go abroad as trustees respon-sible for investment strategies. wake up to the possibilities of reducing the risks inherent in their hitherto exclusively domestic portfolios by judicious diversification overseas. The added incentive has been the IIS, recession. Again Instituinvestor pinpoints a national preoccupation in its blurb for its conference: "for the past several years, indexes of many foreign stock markets

have outperformed our own." The amounts of money indivi-dually being placed abroad are small; the totals more than worth the great scramble now developing. The U.S. banks are neatly split down the middle. are beefing up their heme teams and linking with specialist associates in each favoured country-currently the Far East and Pacific Fasin with selective investment in European blue chips. tithers are developing off-shore

Following

The off-shore school appears in favour London as a centrenot, one hastens to add, because of the popularity of UK equities or cili-edged stock. Only BP and Shell seem to have any real following among U.S. investors. The argument is summarised by Mr. Martin Harrison, vice-president of Morgan Guaranty, which now has \$1.3bn of U.S. international funds managed in The City contains a wealth of experience in international investing and is an excellent centre for communica-

Such international investment experiese is being robustly explotted by the major UK manfor the international sectors of rather than through banks tions — possibly even separate U.S. investment portfolios in (though the leading merchant ownership.

volves the names of some of banks usually look after some the most illustrious London merchant banks-N. M. Roths-Morgan Kleinwort made a major policy decision teams and powerful associations Casualty, the biggest of the U.S. insurance groups which has

The U.S. banks, however, are not just being harried by the London merchant banks (which be called investment Mould hanks in the U.S.). Their traditional preserves are also being poached on by Japanese and Dutch investment management groups and by the "Charlotte Square Mafia"—the great Scottish investment management groups which grew up in the last century through just the kind of international portfolio investment trusts which have returned to popularity.

Blurred

There is also a domestic threat. The traditional division between investment banking and brokerage in the U.S. is coming increasingly blurred. Mr. James Balog, vice-president of Drexel Burnham Lambert, an investment banking group, recently told a securities industry association conference that banks are beginning to "crowd" brokers by dealing in bonds and commercial paper, brokers are becoming creating deposit-takers by cr money market portfolios.

The point is not wasted on the Securities and Exchange Commission (SEC), which is heginning to let it be known that the activities of investment banking look close enough, in SEC terms, to warrant regulation by the Securities Acts rather than the venerable Glass Steagall banking legislation. Though he did not, Mr. Balog

could have pointed his moral more finely if he had looked abroad at the activities of the great U.S. bank and brokerage houses. In London, by virtue of the distance between them and their U.S. regulatory authorities, the dividing line has long since lost most meaning. Both opera-tions offer international investment portfolio management in all its forms.

The movement is not all oneway, however, in the fiscal year just ended the UK institutionslife offices and pension funds mainly-are thought to have invested nearly £2bn overseas. This is a fifth of their estimated annual cash flow. UK fund managers are aware, too, of the values of diversification and are hurrying to place their money abroad while the exchange control regulations have been "suspended" — a Bank of England phrase which many see as a warning that they could be reimposed at a moment's notice. Unlike their U.S. counterparts big UK funds tend to

their funds mostly in-house

part of the bigger funds' port-M. Roths- folios). This is for their UK Grenfell, portfolios. Abroad the fund Kleinwort managers are not so sure of S. G. Warburg. Kleinwort managers are not so sure of Benson. Each of them has either their expertise or the attractions of direct investment. to expand its already notable There is a distinct tendency to investment management depart-ments into the U.S. with strong overseas portfolios by purchasback up support from home ing units in unit trusts or what The UK fund managers

also keen on the Far East at the moment, but the bulk of their monies earmarked for international investment is go-ing to the U.S. This is clearly benefiting the U.S. investment banks, though not exclusively. The leading UK investment management groups which have U.S. (and Far East) unit or investment trusts are a natural home for UK funds' money. So too are the life offices, which rapidly creating international portfolio funds quite distinct from their traditional mixed funds.

Where the U.S. investment banks are winning is in general advice and, in some cases, in their relationships to real estate much more so than their U.S. counterparts, are used to invest-ing heavily in property, the larger directly, the small and medium-sized through property unit trusts, the equivalent of the REITSs. REITs were largely They are now coming back into their own.

The UK's investment banking environment offers another interesting parallel with the U.S. querying whether the old Glass Steagall divisions into commercial and investment banking any longer hold water, the City is beginning to worry about the different operations carried on

Multitude

Merchant banks traditionally provide corporate advice to companies through their corporate finance departments. This covers a multitude of strategies and tactics usually invisible to troops manueuvre in frost of the battlements, however, is in takeovers and mergers. The conduct of these battles is a proper function of a merchant bank. So, increasingly, is the management of institutional

So far the divide between the

two departments — corporate

But the Council for the Securi-

ties Industry (CSI), the City's overall watchdog appointed by the Governor of the Bank of England, has already begun to murmur about the thickness of said to divide the departments. It would take only one scandal where investment funds managed by a merchant bank were said (rightly or wrongly) to have voted conveniently in tune with the tactics of the corporate finance department in to consider recommending new be self-administered, managing divisions between the two opera-

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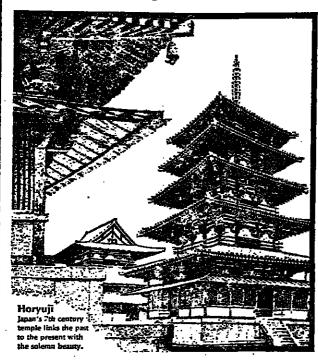
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SAVINGS BANKS TIM DICKSON

The involvement of savings and co-operative banks in international lending is often small in relation both to the activites the underwriting of market leaders such as Germany's Deutsche Bank and America's Citicorp and in relabeen active internations. tion to the size of their own balance sheets. But it is not an insignificant presence and as time goes on is one which

An exception to this rule is Germany's Westdeutsche Landes-bank Giro Zentrale, the largest of the German Landesbanks and one of the biggest West German banks with a total group business of more than DM 150bn. To give an idea of its importance in the syndicated loans market, rankings in the Feb-ruary issue of the magazine Euromoney shows that WestLB was the 10th most important lead or joint lead manager in terms of new syndicated loans signed during 1980.

According to the bank's own figures it acted as manager or co-manager to 74 syndicated loans, the volume of which sequently moved into Euro-totalled DM 33.1bn. Most of currency loans in the midthese by far were denominated 1970s. in dollars, while the share of capital export was welcomed by D.Mark loans—which are usually the German authorities but funded in the domestic capital recently the country's current markets—declined strongly in account problems and the high the final quarter of 1980 as coupons has reduced the D-Mark interest rates began to number of D-Mark fixed interest

the Eurobond market WestLB moved international

DM-denominated private place customers, who had previously ments. The bank was a member gone to the internationally of the underwriting group of another 19 D-mark issues. Ont- Loan business was extended side the D-mark sector it was overseas to serve international a member of the management private placements, mostly in dollars, and was a member of the underwriting group of ing of spreads for good quality siness, however, has recently deterred WestLB like other The Landesbanks have only

> German banks. DG Bank (Deutsche Genosenschaft Bank), the central bank and liquidity manager for or local bank. the co-operative banks, has about 20 per cent of its assets in the international money markets or international lending. It has moved into the international arena only in the past five years. Both DG Bank and WestLB conduct a signifi-cant portion of their interbusiness through Luxembourg.
> In the Netherlands inter

A small but growing presence

national business of the co-operative banks is undertaken by Centrale Rabobank, the product of the merger in 1972 of two large co-operative organisa-tions—the North Co-operative Centrale Reisseisen Bank and the South Cooperative Centrale Boerenleen Bank.

in 1972 when it was decided to expand much more aggreson the international
"Due to the Common customers going international and we felt that if we wanted to keep the business we would have to follow them," Rabo's spokesman.

Rabo gets its funds essen-

Under Dutch central bank bank has to invest a certain that foreign-connected activity of its funds customers and up to the last (generally between 24 and 30

group of 51 bond issues and year has been disproportion per cent) with Rabo Bank. If ately profitable relative to they have a surplus over and domestic business. The narrow-above this minimum they can place it with the same institution. Rabo meanwhile carries on its own banking activities, offering services to clients which are too large to be dealt with adequately by a regional

Agricultural

Rabo has a very strong agri-ultural background (it accounts for about 90-95 per cent of this sort of lending in Holland) and loans to agricultural entities are the sort of business the bank will be looking for in North America, where it opened an office in New York last month. Rabo's international business is about 13-15 per cent of the total, a proportion which is expected to grow steadily in the next few

Italian banks are not generally conspicuous on the international scene except in the financing of except with the financing of except in the financing of except in the financing of except with the financing of except wi for Italian companies. The biggest organisation of this kind is Instituto Bancaria de San Paulo de Torino, founded Market we saw many of our in 1563 as a religious organisation for the promotion of charitable works. In 1932 it became a public law bank and was authorised to set up

It has expanded particularly

WestLB managed or co-managed in the first place to offer bond tially from the 1,000 individual rapidly over the past 20 years. 37 public D-mark issues and 14 investments to its own co-operative banks which are Last year total deposits DM-denominated private place- customers, who had previously its members and shareholders, amounted to L18,600bn and amounted to L18,600bn and lending to the non-banking requirements each sector came to L9,950bn. Within was about a third of total business including ordinary medium short, financing. Since 1977 the bank has done around 30 syndicated loans as either manager of co-manager.

> Instituto Bancaria de San Paulo de Torino has a full branch in Frankfurt and an agency in New York, among other overseas operations, and intends in time to become more international. According to their London representatives this policy is designed to help the bank cover the costs of developing an overseas network to service its existing Italian

Finally, there is Gredit Agricole, in France, one of the biggest banking groups in the world which specialises pre-dominantly in domestic agricultural and retail financing. Some 90 per cent of its business is in this field, but since 1975 it has been gradually building up its international networks. There are offices in Frankfurt. Chicago, New York and Milan, with others in Madrid and Caracas due to be opened this

The international expansion, which admittedly is slow, has been prompted by the overseas The bank's policy is to get involved in non-agricultural business but the objective is to

Certain U.S. banks 🥕 ahead of Europe's

MARKET SHARES MICHAEL LAFFERTY

A SMALL number of large U.S banks are better at serving the international banking needs of

large European multinational companies, than are large European banks. This was the main finding of some fascinating research carried out in Europe last year by Greenwich Research Associates, U.S.-based banking research

GRA set out to measure market shares in terms of principal banking relationships in respect of 300 multinationals' international (as opposed to domestic) business. It found that the typical European multi-national has relations with no fewer than 19 banks on international business, but that seven of these relationships are what might be described as principal, or major relationships.

It is in this area of principal relationships that the handful of large U.S. banks have a considerable edge over large European banks.

Indeed, Greenwich found that four of these U.S. banks have 50 per cent more principal relationships than any Euro-pean bank. GRA's top ten table shows these four U.S. banks and it also includes two banks from France, two from Germany, one from the UK and the

It may seem strange that U.S. banks should be so successful in the European market. The answer seems to lie in the organisation, marketing and sales efforts by U.S. banks when it comes to the multi-nationals. Greenwich found that the recognised level of solicitation by U.S. banks is much greater among the multi-nationals" executives.

This in turn is closely linked to the position of the account officer in the U.S. banks. Quite simply, executives in the coma group of such people-to deal with for all their worldwide requirements, than a series of in different markets. It appears that many large European banks are not yet fully organised in this way, though some claim to have account

The starting point must be those banks with a substantial international presence, and the candidates can only be the large U.S., UK. French, German, Dutch, Swiss and Belgian banks. Looking at the candidates and their available networks, the only possible conclusion seems to be that the small group of large U.S. banks are more successfully exploiting their networks-which in some cases are less extensive than

The number of banks capable

those of some European banks. The key to the European banks' difficulty probably lies in their relatively decentralised geographic structures. By con-trast, the large U.S. banks are more organised around the multinational market, treating it internationally as a product

Greenwich senior executive John Rudy, reports that the large European banks are beginning to make inroads into the market for international banking services for U.S. multi-nationals, but they are not yet anything like as prominent in this market as the U.S. banks

Responding to industry's demands

BALANCE SHEET TECHNIQUES

JEFFREY BROWN

PLOTTING the direct use of off-balance sheet techniques among banks is a thankless task. There are precious few guide

invariably lead smartly into the nearest blind

been active internationally for

the past 12 years or so. It was inevitable that the larger Landesbanks would grow

rapidly in keeping with the

the increase in private savers.

Their function is essentially to

redeploy the surplus funds of

the public authority-owned mutual-type savings banks. They are generally owned by the State and savings banks, though

WestLB's ownership is split between the North Rhine West-

phalia State Government, the

regional associations for the Rhineland and Westphalia and

the two savings banks of North Rhine Westphalia.

WestLB first got into the international bond business at

the end of the 1960s and sub-

At both these times

Welcomed

growth of German industry and

involved directly in this business. The Swiss with their fiduciary deposits are an obvious exception, and some of the major German banks still separate their Luxembourg foreign exchange and Eurobond underwriting operations from the main thrust of their banking business. But the vast

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DAELIM INDUSTRIAL COMPANY LIMITED (KOREA) balance sheet by central bank controls or are simply too prudent to become entangled in operations which have a murky

In contrast, the world's banking system does have a sizeable stake in the business of financing the off-balance sheet demands of industry. Leasing, factoring and project-related funding all come into this category. In the UK the major clearing banks have expanded heavily into these fields in recent years. Fuelled by tax advantages, leasing has become very big business to the major British banks.

Project finance is another area of rapid growth where banks take advantage of the company sector's needs to protect balance sheets from stre The capital needs associated with new commercial investment continue to grow despite the recession. Economies of scale are increasing and in some business areas technological change is rapid. But the cost has now risen to a point where many new investment undertakings are beyond the means of conventional direct liability financing.

Over the past decade the banks—and many other cash businesses—have climbed aboard the project financing bandwagon. Single project loan requirements often extend into billions of dollars and competition for a slice of this can be

Three camps

The major competing forces in terms of the banking system form three fairly neat camps: international commercial banks, merchant banks and investment banks, which are mostly American. The international commer-cial banks tend to be quickest off the mark. Their integrated world-wide branch networks and vast armies of agents in the field allow them a head start

researcher, and those that are majority of banks are either when it comes to learning of available invariably lead constrained from moving off- potential new business and developing lines of communi-Only a handful of U.S. com-

mercial banks and a similar number of European institutions fully fledged project finance services. Once a project has been structured, however, the bank involved in the initial processing, in financially "engineering" the deal, can take its pick of commercial banks only too willing to put up loans in a variety of currencies.

The merchant banks, like the Most fiduciary deposits are de-investment banks, have had to nominated in dollars (58 per focus their efforts on a more cent last year). Foreign banks specialised project finance ser- operating in Switzerland convice in order to compete effectively with the commercial business and the big five Swiss banks. Without the capital back-banks control just under 40 per ing to act as sponsors, the mer- cent. chant banks have had to develop In the UK direct off-balance more fully their role as advisors sheet usage centres on two and agents.

ment banks, which in recent years have concentrated their efforts more closely on joint ventures capable of being at least partly financed through the U.S. capital markets. Many American investment banks have developed into specific areas, notably mining, iron and steel, oil and gas and other energy-related industries.

The First Boston bank, one of the leaders in the field, is presently involved in capital projects worth well in excess of \$20bn. It sees project-related finance as lending which borrowers choose to segregate from the assets and general purpose obligations of their business. In other words, this type of financ-ing takes over where conventional financing through balance sheets and credit ratings is made redundant by size and risk.

Where off-balance sheet techniques are used directly by profit and loss account, will inbanks it is to Switzerland that most people turn for enlighten-Where off-balance sheet tech-

ment. A Swiss speciality is fiduciary accounts which are designed to avoid withholding tax on normal bank interest. Mostly denominated in foreign currencies, fiduciary deposits are lent on in the bank's name have shown an ability to render but entirely at the risk of the depositor.

Fiduciary business has exploded over the past two years. In 1980 it rose by more than half to total \$69bn at which level it has overtaken own account foreign business among Swiss banks where \$62bn was on deposit at the end of 1980.

fairly limited areas of banking Perhaps the most specialised business, non-guaranteed export of all operators in this particular form of off-balance sheet ties. Where a bank customer financing are the U.S. invest-takes out a performance bond on an overseas contract the bank will not necessarily take the liability into its balance sheet but will limit itself to a note to the accounts. Export finance is big business to British bankers and under

the protection of guarantees from the Government (through the ECGD) it is good business too. Depending on where the goods are going and the type of shipment involved, the British Government does not always extend 100 per cent guarantees on the finance. These small, non-guaranteed amounts are often not taken directly into a bank balance sheet. Anything to do with fee in-

come also has little bearing on conventional balance sheet practices among banks. Holland, for example, banks act extensively as insurance brokers and the business, al-

CGEE ALSTHOM-COGELEX Medium Term Loan tional Bank of Knwait S.A.) **BBC** BBC BROWN, BOVERI AND COMPANY LIMITED, BADEN Medium Term Loan ISHIKAWAJIMA-HARIMA KAWADA INDUSTRIES INC. Short Term Loan and oal Bank of Knwait'S A ANSALDO MECCANICA Medium Term Loan nal Bank of Kuwait S.A. PIRELLI GENERAL CABLE WORKSLIMITED

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LYON NICE

WORLD BANKING XI

Change seems inevitable

UNITED STATES DAVID LASCELLES

ertain

WE TARRE

A SENSE of crisis is building up in the U.S. banking industry -not the kind of crisis where banks go bust but a feeling that all the pressures of soaring interest rates, tight regulation and outside competition which have plagued banks for years have reached a pitch where something must give. Laws must be changed, new realities

"An earthquake of change is how Mr. Willard Butcher, new chairman of Chase Manhattan Bank, views the outlook for the banking industry.

You gotta shoot regulation in the head," was the dry com-ment from Mr. Walter Wriston, chairman of Citicorp and a leading advocate of bank reform.

There are essentially two problems facing the U.S. banking industry — unusually high and volatile interest rates (though some relief may be on the way) and decades-old restrictions on where and how a U.S. bank can do business. This latter is a thornier issue and may not be resolved under the current Administration.

The interest rate problem is itself twofold. Record high rates in the last year or so have greatly complicated the banks placed exceptional demands on their asset and liability management skills. Many of the country's largest banks paid a heavy price for misreading the course of interest rates last year— among them Citibank, which suffered a 38 per cent drop in earnings in the final quarter

Anticipating interest rates is all part of the banking game.

A more critical issue is the regulation of interest rates by federal and state authorities ing such worthy causes as hous-ing finance and consumer loans. result was a sharp rise in the Many of these regulations set cost of consumer finance (car ceilings on the amount of loan interest rates in New York interest banks can pay on pri-went up from 13 per cent to vate deposits and charge on 19 per cent), but at least the loans to private individuals. For money is available again.

years market rates were below. Laws governing where and the UK came just as a Con-these ceilings, so they meant how banks can do business may gressionally mandated mora-little, but they oumped up hard not be reformed so readily torium on foreign bank takeagainst them last year and alarm though.

rates on current and savings describes the restrictions on his accounts gave them a severe business, mainly the 1933 accounts gave them a severe accounts gave them a severe business, mainly the 1933 handicap in the quest for McFadden Act and the Douglas deposits and was the main Amendment which effectively reason for the blossoming confine a bank to one state, and than \$100bn that has gone into should give a big boost to con-these funds would necessarily sumer banking, traditionally one these funds would necessarily sumer banking traditionally one have gone into banks had they of the least profitable sectors not existed, but there is no question that they added to the banks' funding costs.

Bank regulators like the Federal Reserve sympathise with the banks' predicament and have discussed the possibility of slapping reserve require-ments on the funds to reduce their yield. A longer term solu-tion will come, however, with the gradual phasing out of Regulation Q (which sets limits on interest payable on deposit accounts) over a six-year period, as mandated by last year's Monetary Control and Depository Institutions Deregulation

On the asset side fixed rate mortgages and consumer loans, as well as usury limits on car purchase loans and credit card balances put a severe cramp on bank income since these lowyielding assets had to be funded in the costly money markets. Particularly badly hit was

Bank of America, which suffered its first earnings decline in 14 years in the first quarter of 1981 because of the weakness of its consumer loan portfolio. It is now taking steps to correct this. However, the wheels of reform have already started to turn. The regulators of the housing finance business have authorised the wider use of variable rate mortgages in order to revive what was fast becoming a moribund market. Many states, usually with the aim of protect- like New York, which had usury

California by Midland Bank of best be described as mixed.

not be reformed so readily torium on foreign torium though. "It's as if General overs had expired. Although though there was immediate talk of moratorium, at bells began to ring.

Motors was told it could only one fine liability side, the make three-wheelers in banks mability to pay market Michigan, is how one banker described the rectrictions on his

growth of the money market the Bank Holding Company Act take overs which caused little funds which pay market rates which restricts banks ability to or no stir. Any foreign bank and can be set up by just about branch into new areas of making another major take-over anyone except banks. It is business, debateable whether the more Relaxation of these laws becoming a test case in Wash-

Relaxation of these laws of U.S. banking, and one where service tends to lag far behind that offered by European banks. One of the final acts of the Carter Administration was to prepare a report recommending the gradual abolition of restric-

tions on inter-state banking, starting with the Douglas Amendment which prohibits a bank buying a bank in another state, with some exceptions. lobbying by the big "money centre" banks there are doubts as to whether much will happen in the next couple of

years. In a report on banking reform, Mr. Tom Hanley, bank stock analyst at Salomon Brothers, writes: "[the Carter proposals] will probably en-counter tough sledding in Con-gress since there is not yet a constituency on Capitol Hill supportive of inter-state bank-He adds that support may grow if interest rates remain high and hurt some banks, or if there are many

further foreign bank takeovers.

The argument over inter-state branching was acerbated by the loophole in the law which allowed foreign banks to operate virtually where they oleased. That loophole has now been plugged. However, the foreign banking "invasion" continues to be a contentious issue, particularly in Congress. At the latest count, according to the Fed, there were 371 foreign banks in the country with assets of \$201bn compared to 179 banks with assets of \$64bn in 1975.

Last year's \$820m bid for

reviving the moratorium, at least until the question of how foreign banks should be regu-lated could be tackled, this was

Since then there have been a couple of smaller foreign bank becoming a test case in Wash

Robbed

Foreign banks in the U.S. have meanwhile, become sub ject to the same regulations as U.S. banks, including reserve requirements, which has robbed them of a useful competitive advantage and forced them to price their wares more aggres

They compete most fiercely for corporate loan business, an area which has itself been reshaped by the high interest rate environment. Led by Morgan Guaranty which specialises in this market, there has been a marked shift away from prime rate-based lending to financing priced on a daily basis in line with the money market. This is essentially a move by the banks to head off competition from the burgeoning commercial paper market where high quality corporate names can lower than bank rates and set their own maturities.

Because it means lending at less than the prime rate, it reduces the banks' spread. Banks like Morgan insist they still make a healthy profit.

Thanks to the strength of loan demand, particularly in the U.S. where the virtual collapse of the bond market has increased the attraction of shortterm bank finance, the banks have been able to sustain a high loan volume which has to some extent offset the damage sustained on the other fronts mentioned earlier. Profits from other operations

like foreign exchange trading and fear have also held up well but until interest rates come down the profits outlook can There's never been a better time to show what we're made of.

The world economy lost steam in 1980. The forecasts for 1981 are not exactly encouraging either. With nearly all the major industrial nations in the

grips of a recession, international trade is expected

The more strained the global economic situation becomes, and the higher the unemployment figures climb, the louder the call for protectionist measures.

That is not the solution. It is precisely when the going gets tough that we must face up to the challenge of competition. That applies to us as well

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1Q4				
Key Balance Sheet Figures:	1979	1980		
Total Assets	54.57	60.54		
Total Customers' Deposits	24.05	25.24		
Loans to Customers Outstanding	31.04	36.18		
Capital and Reserves	1.43	1.68		
Consolidated Balance Sheet Figures/BfG: Group (in billion DM)				

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Prospect of more competition

CANADA

W. L. LUETKENS

BETTER SPREADS and a new regulatory regime have charaction banking year.

In the year of account to October 31 last the pattern of rates reduced the average return on assets. A 22 per cent increase of the almost all of them to increase their balance of revenue after taxes as expressed in absolute

Early during the current year of account the return on assets rose rapidly as margins widened between a high prime rate and changes on the liability side. Spreads were helped by a good increase of personal savings deposits costing relatively low

31, produced a 60 per cent rise of profits after taxes above those of the opening quarter of 1979-80. About a third of the increase was traceable to an increase in the aggregate assets of the banking system to C\$286bn (about £110bn). First quarter profits this year went to record levels, though the rate of increase cannot be sustained for the rest of 1980-81. Mr. A. Roy Palmer, bank analyst at Bunting, a stockbroking firm, estimates that for 1980-81 as a whole profits will grow by some-thing over 30 per cent.

Question-marks

Forecasts of that kind inevitably prompt large questionmarks, in particular about the future course of interest rates. In Canada, for reasons of the balance of payments, rates are usually closely dependent on those in the U.S., though the Bank of Canada in general tries to avoid the extremes, both high and low, of U.S. markets. With inflation rates over 10 per cent, however, the Canadian monetary authorities are likely to be on the side of restrictive caution.

Demand for credit is likely to remain high, both in the short term and, especially, over the coming decade and more. Though the Canadian economy has recently been turning in a patchy performance at best, the latest available survey of investment intentions conducted by Statistics Canada, an official body, predicted an 8 per cent increase in the volume of business capital expenditure this year. The figure may prove too high, but does point to consider-

able buoyancy. In the longer run Canada is likely to remain in its traditional position as a heavy importer of long-term capital. Huge energy related schemesfor instance pipelines and the development of hydrocarbon reserves off the Atlantic coast and in the Arctic islands will require tens of billions of dollars before the century is out. Because of the overriding need to develop those resources,

that basic pattern is unlikely to

changed by the current banks. Not being permitted to ggle between Mr. Pierre solicit deposits, they restricted Trudeau's federal Government, the Governments of the 10 Canadian provinces and the oil industry. First and foremost it is a battle for shares in oil and gas revenue. It is complicated by Mr. Trudeau's avowed inten-Canadian control over the Canadian oil industry by cajolery and discriminatory tax submitted full information

The energy programme is a manifestation of Canadian economic nationalism, a defenbanks' assets overall enabled sive reaction against the large measure of foreign, specifically U.S., control over Canadian ownership of Canadian banks (though the loopholes will be described later in this article). A new Bank Act passed in 1980 reversed the ban, but only on stringent conditions.

It creates a new category of closely-held "Class B" banks with no limits upon the extent of foreign ownership, as opposed to the established widely-held Class A" banks. No individual holder may own more than 10 per cent of the shares of Class A banks (which include all the internationally prominent Canadian chartered banks), and aggregate foreign ownership may not exceed 25 per cent of

the share capital.

The decision to re-admit foreign owned banks was foreign avowedly taken in the interests of greater competition among financial institutions. None the less the Act of 1980 places the foreign-owned banks under severe constraints. Their aggregate Canadian assets will not be allowed to exceed 8 per cent of the total assets booked domestically by the Canadian banking system. As things stand that ceiling would be around C\$14bn.

In practice foreign-owned socalled near-banks already have banks appear to have avoided aggregate assets in Canada of excessive exposure to two of about C\$10bn. These near- the international problem areas: banks operate in the money and their claims on Poland are put

themselves almost without exception to wholesale banking.

Wholesale

Under the new Act the of gaining majority foreigners are likely to con-About 15 of them have already required with an application for bank status. Several more have begun the process. The Minister of Finance is likely to authorise the first batch of foreign-owned Class B banks to begin operating under the bankindustry. The banking industry ing label by June or July. has also felt the impact of that Altogether between 50 and 55 reaction. Legislation passed in such credit institutions are 1967 in practice barred foreign expected eventually to receive expected eventually to receive the letters patent giving them bank status.

> Bank status will not only give the foreigners prestige; it will also give them access to the Bank of Canada as lender of last resort. The price to be paid, in addition to the restrictions on size, will be a need to deposit with the central bank reserves which receive no interest. There are reasons for paying that price. Bankers do not usually like to ignore the wishes of the government of the country in which they operate, and the Canadian Governmen. has made no secret of its desire Class B banks. Moreover, those which do not will lose their right to borrow in Canada, with the guarantee of their parents abroad, and will thereby risk having to pay more for their

The Canadian banking fraternity has accepted the new regime with good grace, though not entirely without argument, because the big Canadian chartered banks are themselves deeply involved in international business. About a third or more of their assets are denominated foreign currency. Canadian

chartered bank has had to make heavy write-offs as part of the rescue of Massey-Ferguson. The new Bank Act makes

large number of changes of detail for the Canadian char-tered banks but does not profoundly transform system. Severe limitations on the equity participations allow to the banks preclude the growth of anything along the lines of the universal banks of Continental Europe. Though the number of bank will rise steeply as a result of the creation of the Class B category, banking will continue to be largely dominated by five or six institutions operating across the whole country on a Britishstyle multi-branch system. However, the peculiar nature of Quebec as a French-speaking province and the increasing economic importance of the Canadian West have, in addition, provided bases for strong

regionally-oriented banks. Sharp fight

What this pattern disguises is that the chartered banks as a group are engaged in a sharp fight for market share with Canadian-owned near-banks, in particular the trust companies. Trus. companies, with total assets of about C\$40bn and fiduciary managed assets of about C\$60bn, have challenged the chartered banks in the retail sector to the point where they even offer customers what amounts to cheque facilities. . The banks, for their part, were enabled by the 1967 Bank Act to penetrate deeply into the mortgage business, where trust companies are strong.

For demographic reasons the number of first-time house buyers is about to decline in Canada. The trust companies are therefore looking around for new business and powers. An impending reform of the law governing trust and loan companies may give them part of what they want.
The prospects, therefore, are

that competition will increase in the world of Canadian commercial paper market, at about U.S.\$400m, and in the finance, both between Canadian chiefly in Toronto, and under case of Iran the amount is of a and foreign-owned banks, and the legislation of 1967 were not similar order. On the other between the banks and rival allowed to call, themselves hand at least one Canadian savings institutions.

	Ti	IE BIG F	IVE CHART (C\$m)	ERED BA	ANKS		•
	Oct. 31 '79	Total Asse	•	78/79	•	f Revenue* Qtr. to 31/1/80	te 31/1/81
Royal Bank of Canada	51,722	62,834	67,762	270,713	327,430	78,555	138,661
Cdn. Imp. Bank ef Commerce	45,995	55,428	58,967	201,301	192,056	46,032	77,788
Bank of Montreal	38,180	48,482	52,833	228,696	263,174	62,009	88,525
Bank of – Nova Scotia	34,869	43,177	44,490	180,892	22 1,161	48,986	60,599
Toronto Dominion Bank	28,209	33,842	36,348	160,351	182,770	42,132	70,422
After taxes.							



WORLD BANKING XII

Under increasing pressure

BELGIUM

GRES MERRITT

cent of income and the banks

the country. Not only does neighbouring Luxembourg offer

secrecy laws that encourage tax

evasion, but also interest rates

on sight deposits. Savings have at times been markedly higher in Holland than in Belgium.

The result is that according: to

some bankers' calculations Bel-

gian funds on deposit outside

Belgium are equivalent to a whole year's Gross National

If remotely accurate, that esti-

mate puts Belgian foreign-held

savings at over \$100bn, for around \$10,000 per head of population. Small wonder that

Belgium's own banks are being

squeezed between dwindling

deposits and the continued heavy demands of the State.

Comte, Eric de Villegas de

Clercamp, president of Bel-

gium's largest bank, the Societe Generale de Banque, recently set the tone for the country's banking community when presenting SGB's 1980 results.

He warned that Belgium was now harvesting the bitter fruits of the State's dangerously widening public sector debt, for the financial community was

increasingly vulnerable to the economic crisis. Societe Generale de Banque's 1980 performance was in fact surprisingly sound, given the dire warnings made by its presi-

dent on the subject of the weak-

ening trend in savings and the

burden placed on the bank by

the State's financial demands. Its non-consolidated balance

sheet last year broke through the B.Frs 1,000bn (\$28m) bar-rier, having increased 17 per cent over end of 1979 levels.

Squeezed

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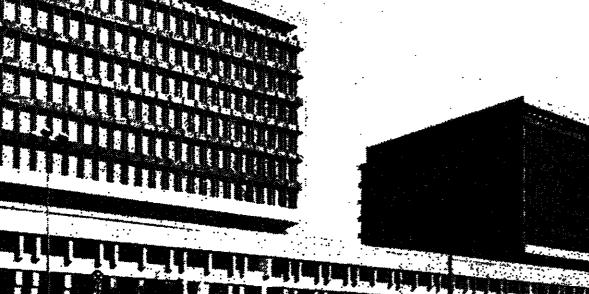
Profile in figures (1980) US dollar 31, 565 million balance sheet total. US dollar 16,616 million deposits and cash certi-

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dropped slightly by 3.9 per cent B.Frs 1.911m from B.Frs 1,990m the year before.

gium's top three banks—Societe Generale, Banque Bruxelles BANKING IN Belgium is not Lambert and Kreditbank-have going through one of its happier not suffered greatly. Kreditbank, the number three bank, which is also the flag carrier of periods. In two years the out-look has darkened considerably the comparatively buoyant Flemish business community, Two statistics sum up the size of the problem. In 1979 Belalso achieved an increase in its gians were still good to bankers. With a national savings rate of half of its financial year, which 17 per cent of income the banks ended on March 31, 1981, and for which full figures have yet thrived on a high tide of comparatively cheap deposits. Now, to be published. Up to Septemwith the country's worsening economic position, that savings rate has slipped to only 12 per ber 30. Kreditbank's balance sheet rose 8 per cent over the six month period to reach B.Frs

464bn (\$13bn). Belgium is often regarded as "overbanked," but one result of are feeling the pinch.
Worse still, Belgian depositors are drawn to banks outside that is that Belgian banks compete actively for consumer busi-ness and thus achieve results: Kreditbank has complained of the drop in Belgium's national savings rate and in corporate liquidity levels, but it nevertheing the first half of the 1980-81 financial year, its average annual growth rate of 8 per cent

in customers' deposits.

Kredietbank's net profits for fiscal 1980 totalled BFr 1.7bn, much of which was ascribed to But it also compares well with the much larger Societe Generale de Banque's BFr 1.9on earnings, and with the muchdiminished profits declared by the No. 2 bank, Banque Brux- between Belgium's governelles Lambert, for the year

ended September 30. Bruxelles Lambert was formed

It was able to maintain divi- Banque de Bruxelles with dend on net earnings that Banque Lambert, and the duplications that marriage produced on the new bank's branch banking side has contributed Indeed, for all their ills, Bel- heavily towards the costs butden that has hit Banque Brux-

elles Lambert's results. Although in its last full year Banque Bruxelles Lambert boosted its balance sheet, it has also been forced to pass its dividend.

Cost-cutting

Last October the bank rerealed that its balance sheet had increased by 13 per cent over the previous financial year to BFr 892bn, but profits tumbled to BFr 304m from the BFr 706m reached the year before. BBL's problem has been over-manning, and the shock of last autumn's poor profits picture triggered a determined cost-cutting drive that combined tough salary restraint with job cuts that have lopped about 5 per cent off the 12,800 payroll.

The crucial factor in the banks hopes for a major boost.

to their domestic activities remains, the Belgian Government's economic policies. The instability of governments in Belgium—the apointment of Mr. Mark Eyskens as Prime Minister in early April marked international business, for the bank has traditionally been a attempts to discipline state spending, and has thus placed spending and has thus placed an increasingly heavy burden on the banks and financial institutions of Belgium.

The basic problem is that there is a widening gap mental receipts and the out-goings of an administrative and 1975 by the merger of been frozen at an expensively savings in Belgium.

high level by the "community" impasse between francophone Walloons and Dutch-speaking Flemings, As a result, the public sector borrowing requirement (PSBR) now stands at 8 per cent of Gross National Pro-duct, or BFrs 280bn, and mops up a substantial proportion of domestic risk capital that is badly needed by Belgian

industry.

The difficulties faced by the Belgian banking sector are underlined by the phenomenal success story of Laxembourg, which is a second with Belgiam of the phenomenal success story of Laxembourg, which is a second with Belgiam. in an economic union. Only 15 years ago, the tiny landlocked Grand Duchy boasted just 20 banks, with Belgium dominating the sector. But since then it has developed as a major centre of the Europarket and centre of the Euromarket and, increasingly, management. for

Luxembourg's banking community has undergone hundredfold growth since the mid-1960s, and the more than 100 banks operating there have a combined balance sheet of over LFr 3,000bn, or about a third of the balance sheet total of all the foreign banks in the

City of London.

Although much of Luxembourg's financial activities constitute an "offshore" centre. and are therefore somewhat irrelevant to Belgium's domestic economy apart from contributing handsomely to the Belgian-Luxembourg Economic Union's (BLEU) balance of payments, the Grand Duchy banks are also something of a thorn in the flesh of their Belgian competitors, Luxembourg's strict banking secrecy laws are a magnet to Belgian investors, and contribute to the dwindling social security system that has rate of deposits and other

President's retirement marks end of an era

NETHERLANDS

CHARLES BATCHELOR

Zijlstra from the presidency of the Netherlands central bank at the end of this year will mark orientated of the Dutch banks, the end of an era in Dutch with offices in 42 countries. banking. The schoolmasterly After marking time in 1979 figure of Dr. Zijlstra has presided over the growth of the country's banks into an important international force, · an well able to stand up to foreign Amsterdam-Rotterdam Bank figures are striking. ABN rivals favoured with a much (AMRO) has run ABN a close doubled its risk provisions last

the former Dutch Minister Dr. Willem institute radical changes remains to be Dr. Duisenberg spent many years in politics as a Labour Party MP and Minister, though he has proved to be year. political centre than an idealist banks from the Left. Midde

Dr. Duisenberg will take which the Government has a 22 office at the time when the per cent stake. Considerably country's banking community is showing a greater willingness to discuss its problems in public. cent higher at F1 48bn-NMB The growing feeling among the has shown a greater willingne many foreign banks based in to launch into new projects. It the Netherlands that the system was the first to respond to the is weighted heavily against opportunity to set up a risk them has surfaced in recent capital company and has been months in the pages of the Dutch financial press.

The fereign banks' complaints Amsterdam. Net profit rose 16 are twofold. The curbs on per cent in 1980 to Fl 183m.

lending imposed by the central The fourth of the Dutch big lending imposed by the central bank bear too heavily on the foreign banks, which usually have only a limited local asset base, and opportunities for these banks to effect change through the Netherlands Banking Association are minimal, since they are not represented

the Association.
The central bank's credit curbs-intended to hold down inflation—are now in their fourth year and appear set to become a permanent weapon in its armoury. They amount to a limit to the growth of bank lending financed by short-term borrowings of up to two years. There are no restrictions on the lending-on of longer-term funds.

The Netherlands Bank has

allowed banks to increase lend-ing by 5 per cent this year while the smaller banks, including the foreign banks, have been granted an extra one percentage This means that the banking community as a whole may increase last year's F1 70bn (\$29bn) of lending by Fl 3.5bn while the smaller banks are allowed an extra Fl 700m. Despite this concession the 40 or so smaller banks complain that their restricted access to capital market funds and the fact that they usually have no current or saving account customers to provide a reserve of funds mean their growth opportunities are severely

Notwithstanding their criticism on this point foreign bankers readily admit that the Netherlands welcomes outsiders and that the country's banking legislation does not discriminate in favour of its own nationals. This open door policy has led to an increase in the number of foreign banks to nearly 40 from

the same period the number of domestic banks has fallen from 114 to only 20, largely through

Four large banks dominate the Dutch banking scene. Algemene Bank Nederland (ABN) is the largest, with a 1980 balance sheet of Fl 109bn. It is the most internationally ABN recovered strongly last year and saw its net profits rise 13 per cent to Fl 309m. Among the joint-stock banks Amsterdam-Rotterdam Bank

per cent rise last year to Fl 94bn. After long pursuing a policy of working through conoffice network. Net profit was a

Middenstandsbank (NMB), in

smaller than the first two-its 1980 balance sheet was 18 ner an enthusiastic supporter of the European Options Exchange in -a co-operative bank "owned" by its customers, many of them farmers. All of Rabobank's considerable profits are ploughed back into reserves. The bank has been developing rapidly in rounded commercial bank very much the equal of the joint stock banks. Moving out of its mural base it has established branches in the big cities and is now stanting to build up a network of overseas branches. Rabobank's balance sheet total rose 13 per cent to F1 98bn last year, white profits increased by per cent to Fl 373m.

Along with the smaller Dutch banks such as Nederlandsch Credietbank and Slavenburg's, the country's savings banks and the Post Office Savings Bank are aggressive competitors with the Big Four, panticularly in the field of private customer accounts. Founded to provide, a form of unsophisticated bank for the smaller saver the Post Office Savings Bank now offers broad range of services to its 6.3m customers.

Discussions over the transfor-mation of the Post Office Savings Bank into the "Postbank," with increased powers to lend to commercial customers, have been dragging on for several years now. The Post several years now. The Post Office Savings Bank, which this year celebrates its centenary. may not get all that it wants from Parliament but it is detering system.

The most striking develop-

ment revealed by the banks' profit and loss accounts for 1980 was the sharply higher provi-sions made to cover potential bad debts. The banks refuse to divulge the cumplative total of these reserves or to say what percentage of provisions is actually called upon to meet losses but they do make known the annual additions.

The banks warn making straightforward comparisons since their accounting techniques differ - but the balance sheet terms year to Fl 300m while AMRO Fl 285m) and NMB a 42 per cent increase (to Fi 214m). These worsening financial position of many companies.

escaped the impact of the current recession the property badly hit. A number of small and the banks' mortgage lending activities have been adversely affected. Westland - Utrecht Hypotheekbank, the largest independent mortgage bank, saw net profits halved this year and slashed its dividend.

Poor

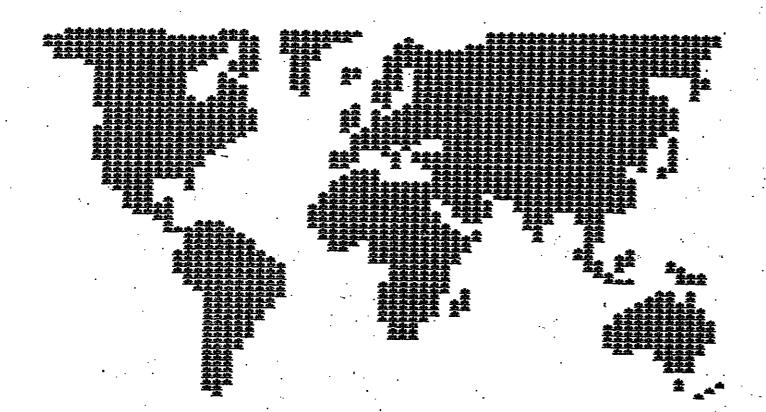
Difficulties in the property sector partly accounted for the helped explain its capital from Credit Lyonnais. the French state-owned bank. burg's were also a factor. The result has been to give Credit Lyonnais a large foothold in a market where many of its domestic rivals, including Banque de Suez and Banque de Paris and des Pays Bas, are already well established.

companies have prompted the links between the banks and industry. The rule limiting banks in most cases to a five tral bank will now allow them to take holdings of up to 49 per cent provided the invest-ment does not exceed FI 2.5m (\$1m) in any one company, that they withdraw after five years unless there is good rea-son to stay and that no bank commits more than "a few percapital.

This cautious move courage banks to provide risk by a mass of restrictive conditions. Even its most enthusiastic the idea of venture capital are mined not to remain the poor recommended to take out necessition of the country's bank-traditional forms of credit.

DUTCH BANKS IN 1980

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BANCO DI ROMA-BANCO HISPANO AMERICANO-COMMERZBANK-CREDIT LYONNAIS

Fortunes at a turning point

WEST GERMANY STEWART FLEMING

FOR THE first time in a generation the parent companies of the leading West German commercial banks as a group reported no growth in their total assets at the end of 1980.

Even taking into account the fact that the overall picture masks some variations in the results of individual institutions (most notably the remarkable success of the largest German bank, Deutsche Bank which increased both assets and profits) the 1980 figures serve to underline the judgment that German banking industry is at a turning point in its fortunes.

The general stagnation in assets growth and second consecutive year of declining profits in the industry in 1980 represents the worst overall performance in a generation. Indeed in the previous decade the big three German commercial banks their place among the banking giants of the world.

Today however it is clear that both domestically and internationally a more testing time lies ahead in which, as the Deutsche Bank has already

already put Deutsche Bank in a position from which it can expect to put even greater It is against this background distance between itself and its of intense, overlapping, comclosest German competitors.

Judgment :

shares, its decision to increase need to be seen. In the backits dividend and the evidence of its superior judgment has of reform of the banking laws already meant that Deutsche which could alter the balance Bank has been able to raise substantially more new capital various sectors. from its shareholders than any of its rivals, as well as reinforcing its capital base

In sharp contrast the troubled Commerzbank, which last year reported no earnings by its German parent company and a sharp fall of 76 per cent in group profit, weakened by has been weakened by this earnings result. It has been unable to holders because its share price is so depressed and it has also suffered the indignity of becoming the first German bank in a generation to pay its shareholders no dividend.

One result is that it may not be long before the " big three German commercial banks be come the big four, for the Munich based Bayerische Vereinsbank has been rapidly closing the gap between itself

and Commerzbank. It is, particularly in the German context, a mistake to focus too closely on the private commercial banks in an analysis of the performance of the German banking industry.

This overlooks the highly fragmented nature of the overall banking market. Several of the Landesbank Girozentrale, such as West Deutsche LB and Bayerische LB are also "universal" banks and powerful competitors to the commercial banks, particularly in international and large corporate business, in spite of the weakness that they do not have extensive branch networks. The fact that they are ultimately publicly owned does not take them our of commercial bank-

ing sector. The same is true of the savings banks. While also regionally based and publicly owned the savings banks, with their strong consumer deposit and loan base and their important position as lenders to small and medium sized corporations, are powerful competitors for the commercial banks. Indeed their total loans outstanding within Germany had tripled their domestic to companies and private parent company assets and at individuals—are slightly higher the same time expanded than loans by the commercial dramatically overseas, so taking banking sector and more than double the loans made by the central giro institutions.

They have a particularly strong position in lending to private individuals, and from a network of branches almost three times as large as the comdemonstrated, the better man-aged institutions will network, they offer individuals undoubtedly outperform their a full range of deposit and rivals. chequing account services.

Its comparative success in What they do not have by and 1980 when it reported a 7.2 per large, is strong ties with larger cent growth in group after-tax companies or the corporate profits as against sharp declines shareholdings and foreign confor its two nearest rivals, has tacts which would give them a leading position as bankers to

the larger corporations.
It is against this background petition that the poor performance of the German banking industry over the past year, and the steps that are being taken Thus the better rating of its to correct that performance ground is the looming prospect of reform of the banking laws of competition between the

Impact

The slump in the profits of most of the German banks reflects a variety of factors which have had their impact on looking for ways to improve the all sectors of the industry. The efficiency of their branch net-biggest problem has been the works, with electronic banking



interest rates over the past two years to levels which have not been seen since 1973-74.

Because the banks have quite large portfolios of public and private loans at relatively low interest rates, and have had to finance these loans with ever more costly funds, lending margins have been seriously squeezed. The moves by the Sundesbank in February to intensify efforts to defend the Mark on the foreign exchanges and fight domestic inflation by abandoning the Lombard credit system for the banks (temporarily) and replacing it with a "special Lombard" rate—initially set three percentage points higher at 12 per cent has intensified the margin

Banks' lending margins have also been hit by depositors switching funds into higher paying accounts as their sensitivity to interest rates has increased. Rising long term interest rates have also resulted in heavy losses on bond portfolios. At the same time staff costs have been increasing rapidly. further profitability. -

The banks have been moving to meet-the challenge in a variety of ways. Lending rates have been pushed up, with goodquality corporate borrowers paying around 15 per cent for short-term finance instead of nearer 11 per cent a year ago. Rates for consumers have increased even more sharply. -Staff expansion is also being cut back and the banks are

MAIN BANKING GROUPS JANUARY 1981

a }-	Number Type of banks		business (DM bn)	Domestic Offices	
+	244	Commercial	542.3	6,160	
÷	12	Central giro institutions	379.4	325	
÷	599	Savings banks	514.9	17,489	
9	2,277	Credit co-operatives	254.3	19,678	
y	38	Mortgage, banks	322.1	69	

Complaints persist

FRANCE

ROBERT MAUTHNER

LIKE THEIR counterparts in the UK, French banks had a bumper year in 1980 but are still complaining. The latest report of the Association of French Banks (AFB) reads like a long list of grievances submitted by a factory trade union to a par-ticularly intransigent employer. In this case the employer is personified by the French Gov-ernment, which has persisted in applying strict monetary growth targets and a relatively severe system of credit growth ceilings profits drop. for many years.

The fact that the high interest rates of the last year or so, which have swollen bank profits, were also the direct result of Government policy is not men-tioned too loudly by the gentlemen in the pin-stripe suits. However, the bank results for 1980 have not escaped the notice even of those politicians whose programmes do not include the nationalisation of the banking sector or at least that part of it which still remains in private

M. Jacques Chirac, the Gaullist leader, is not usually someone who can be accused of penalising the business or financial sectors. But he has proposed that, is he is elected to the French Presidency, a special tax should be levied on the "quite exceptional" profits the banks have made in 1980, which would be used to subsidise cre-

dits to small companies. The figures for last year have only just started to flow in but the profits trend has already be-Year-on-year increases range from a huge 75 per cent for the Credit du Nord, a private bank, through 60 per cent for the Credit Lyonnais. one of the state-controlled "Big Three." to 52 per cent for Banque de Paris et des Pays-Bas, one of the two biggest banques d'affaires." The rethe Société Générale.

rule and look much better courages experiments. when compared with the fall of 18 per cent in earnings registered by the bank in 1979.

It is clear that it is mainly competition by freezing market cent of whose deposits are not remunerated, which are the ones that have benefited most from the large gap between their costs and the interest rates which they have been able to

charge for their loans, ranging between 14 and 20 per cent. Other non-deposit financial establishments, which have been obliged to refinance themselves on the market at particularly high rates, have seen their

Quadrupled

The reverse side of the bonanza should not be forgotten, however. The slack economic situation, which has greatly boosted the number of bankruptcies, has obliged the banks to make particularly high provisions against bad debts the depreciation of their portfolio holdings. Thus the Crédit Lyonnais nearly quadrupled its provisions to FFr 1.67bn (£152m) in 1980, white those of the Société Générale were more than doubled. Not surprisingly, the scale of provisions are expected to be at least as high this year. given the continuing slack economic situation, though there is no guarantee that high interest rates will continue long enough to ensure profits similar to those

Meanwhile the outgoing Government - and particularly M. Raymond Barre, the Prime Minister, and M. Rene Monory, the Economics Minister - have From a purely ideological point would be a sufficiently good of view, M. Monory would have liked to abolish the "encadrement," as it is called in French. of the world's biggest banks as quickly as possible. But the

profits of only 12 per cent, are strung by an unfavourable an exception rather than the economic climate which dis-

shares, penalise the most dynamic banks and favour the large institutions at the expense of the small ones. But that is only part of the problem. The Gov-ernment's reply is that encodreeffective tool for controlling the money supply and that it would be folly to abandon it so long as inflation is as rampant as it is at present.

Nevertheless, the authorities have already taken some steps to prepare the ground for an eventual abolition of direct credit controls. Even the AFB has recognised that the steps taken to improve the very low capital loan ratios of the banks is a move in the right direction. It would ensure that the banks would not be able suddenly to expand their loan volume once they had been freed from the quantitative controls imposed by

the Government. Another positive measure, in the eyes of the commercial banks, is the ending of some or the most flagrant tax and other privileges enjoyed hitherto by the Credit Agricole, the far mers' bank, and other cooperative credit institutions. So far as the commercial banks are concerned, it is the enor mous expansion of loans from these institutions in recent years that has obliged the authorities to impose quantita-

tive credit ceilings. The increase in capital-loan ratios is justified by much more than the need to prepare the way for the phasing out of the credit encadrement system. not been as insensitive to the which has not even been decided increasingly strident complaints yet in principle. The comparaabout the credit corset system tively weak financial structure as the bankers sometimes claim. of the large nationalised banks



In general, what is happen-ing can be summed up by saying that the German banking industry has abandoned its old policy relying on volume growth, produce profits and cover rising costs, and is paying much more attention to efficiency and the profitability of particular kinds of business. Behind this switch lies the recognition that the banks are living in more unpredictable times, particularly so far as interest rates are

Thinking

Few are expecting a return to the old days of low and stable rates. As a result, managing the liability side of the balancesheet is playing a much bigger role in their thinking. So, too, is the prospect of legislative change. One of the major reasons for the rash of capital-raising issues from the commercial banks in the past few that later this year new regula-tions for the consolidation of their overseas subsidiaries will be_brought in,

These regulations certain to mean that the banks will have to back their business with larger capital resources The challenge is specially relevant to the big-commercial banks. But legislation will also affect the central giro institutions and other banking groups.

The saving banks' problems in this context are particularly significant because they do not have shareholders who they can expect to put up new capital since there is no such tradition. But new capital will be needed How it will be provided is far from being resolved, but clearly with Government savings subsidies reduced, taxes for savings banks increased and profits under pressure, the issue is a vital one and its resolution could affect the balance of domestic competition in the



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France complaints persist

CONTINUED FROM PREVIOUS PAGE

yardstick only the Credit Agri-cole is still to be found within the first 10, while the three State-controlled commercial banks are relegated to 30th position and lower. Indeed by the end of 1978 the capital-to-loan ratio of French banks had fallen to around 2 per cent, against 5 per cent in comparable European countries.

It was entirely in line with M. Monory's basic philosophy that banks, like other businesses, should be financially sound enterprises capable of competing with each other that the Economics Minister introduced measures two years ago obliging the banks progressively to increase their capital base in relation to loans by 1982. At the same time he made it clear that the nationalised banks could no longer look to the Government for fresh capital injections. They had to fend for themselves.

Enabled

They are enabled to do so by a law dating back to 1973, which permits the state-controlled banks to go to the private capi-tal market for up to 25 per cent of their equity.

This provision had been used previously to distribute shares to staff but it has assumed much greater importance since M. Monory's reforms. Both the Société Générale and the Banque Nationale de Paris have increased their capital through rights issues, which have resulted in a lowering of the state's shareholding in the two banks to 87 and 83.5 per cent

The Government's new policy, however, has not been wholly consistent. In the case of the Crédit Lyonnais, new money was raised last year through a FFr 500m Government-subscribed bond issue because the bank's low 1979 profits would have made a rights issue more difficult. If the money-raising operation had been undertaken after the announcement of the 60 per cent increase in 1980 profits, it would probably have been a different story.

The other big reform, think, have a much easier task thoroughly approved of by the commercial banks though they tition from para-banking consider it has not gone far institutions.

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French banks in the first 10— Mutuel's wings. It was high
the Credit Agricole and the
three nationalised banks. But
when capital stock is used as the
monster whose growth appeared

Agreement

Under a laboriously-negotiated agreement with the Government some two and a-half years ago, two-thirds of the Credit Agri cole's previously untaxed profits became subject to the normal 50 per cent rate. In return the bank obtained the right to extend its activities from lending only to farmers in rural communities to financing the food processing industry in towns and even non-agricultural businesses in the country. As for the Credit Mutnel, which is particularly active in the family and local authority loan sectors. it lost its privilege of providing its clients with tax-free savings accounts, which had provoked the ire of the commercial banks

In addition, a sharp controversy which had arisen over the National Accounts Court's criticisms of the Crédit criticisms of the Credit Agricole's exceptional profits of FFr 900m accumulated in 1975 and 1976 was settled by the intervention of M. Barre in October last year. It was agreed that the bank would be allowed to keep one-third of the amount which would be used to increase its capital base, while the remaining FFr 600m would be channelled by the bank into various agricultural aid projects.

That is by no means the end the long drawn-out Credit Agricole saga. The question of additional profits earned during the period up to 1979, amounting to nearly FFr 4bn, remains or the table, while three "wise men" appointed by the govern-ment are currently drawing up a report on a possible modification of the bank's statutes. For the commercial banks, nationalised or private, the "green bank" continues to be

a glaring example of unfair competition. As one leading banker rather cynically put it, "if it hadn't been for the Crédit Agricole, the other mutual credit institutions and the savings banks, our profits in 1980 would have been much bigger." The British banks, their French opposite numbers

Modernisation held back

GREECE

GREEK GOVERNMENT plans modernise the country's banking system have had to be shelved for the time being. The main reason, and the one

cited publicly by government and banking officials, is the need to await an improvement in the economic situation and reduction in the high cost of money.

A role is also played the consideration that 1981 is an election year, and bank employee unions have already demonstrated, by a 39-day strike at the beginning of last year, that they are able and deter-mined to defend a network of acquired rights some of which would inevitably come under challenge during the modernisation procedure.

Mr. Ioannis Paleokrassas, the Alternate Minister of Co-ordination, described recent strikes affecting mainly the Commercial Bank of Greece and to a lesser extent the National Bank of Greece as "spring fever," arguing that the basic causes were peculiar to the banks affected rather than industrywide. But some bankers admit to nervousness over what they see as a phobia-ridden union movement, subjected and apparently submissive to left-wing political agitation and excessively sensitive to the growing international presence in Greek

banking. A case in point is the so-called merit system. Shall bank employees be promoted on the basis of achievement and aptitude, or shall advancement continue to be a matter of length of service, no matter how undistinguished?

Efficiency and competitiveness would seem to demand the former, and it has been pur-sued quietly by foreign and a number of smaller Greek banks in recent years, but bankers doubt that it could be introduced as a generalised system applying also to the larger banks so long as the unions are in a position to remain militantly adamant in their rejection of changes of this

Participate

With Greece's accession to the European Community a reality, the need for modernisation of the banking system has assumed greater importance and urgency. By general consent.

the Greek commercial banking system as it evolved in the postworld war two period has been over-regulated, bureaucratic and lacking in efficiency and flexibi-

the planning for accession, a joint governmental and private sector committee was set up under the chairmanship of Mr. Nicholas Harissopoulos, the deputy governor of the Bank of Greece, to study the structural weaknesses of Greece's financial

wearnesses of Greece's mancial system and to propose remedies. It found deficiencies traceable primarily to four basic causes—excessive Government intervention, the predominant position of the commercial banks as a source of financing, outmoded administration and the oligopolistic character of the

liberalisation of the structure of interest rates, more permissive regulations on foreign exchange transactions, creation of an interbank money market, modification of the role of the allpowerful Currency Committee in supervising enforcement of Government regulations, and accelerated application of up-to-

date management techniques. Some progress has been made. There has been a modest liberalisation of regulations governing foreign exchange operations within the framework of authorised transactions — on interest payable on foreign exchange deposits in Greece by Greek seamen or emigrant workers or by Greeks living in Greece who have justifiable sources of income abroad.

Offshore

A limited Interbank money market has been set up at the Bank of Greece, allowing com-mercial banks to participate actively in setting the daily exchange rate of the drachma and to take foreign exchange positions, while the drachma is listed on the Paris Foreign Exchange Market.

comparable has been made towards simplification of a complex pattern of interest rates, differentiated at present by sectors of trade and industry rather than determined by market forces and the creditworthiness borrowers, or towards elimination of barriers on capital operations that manifestly impede development.

No-one appears quite certain how many different interest rates there are today, all of them determined by official fiat. Mr. Paleokrassas is on record tial business deals for their with a complaint that they principals they are not pernumber "almost 100," while mitted to engage directly in the governor of the National Bank of Greece, Mr. Efthymios Christodoulou, has put them at somewhere between "a conservative estimate of 82 and a possible 120."

The International Monetary Fund, the Organisation for Economic Co-operation and Development and the EEC, have called on Greece to allow normal banking criteria to prevail.

Mr. Paleokrassas, whose own pre-political career was in banking, told an Athens conference on invisibles last year, during the run-in to EEC accession, that the Greek banking system was out of step with the whole economy. It alone had become progressively more inward-looking, restricting itself for the most part to servicing domestic transactions. Greek banking, thanks to its

oligopolistic structure and the fact that its employees have become part and parcel of the civil service establishment, lives in a serene atmosphere of henevolent inaction and merciinternational banking opera-

tions, he told the conference. "The jump from the present state of the Greek financial system into a future situation where Athens and Piraeus may rate as an important financial centre is a very great one and cannot be effected without a radical transformation of Greek banking, insurance and related

services," he said.
The same conference heard from Mr. Stratis Papaeistration. a Bank of Greece official, that

Fosters a quiescence and of employee quality, that will of Greek banks in the more sophisticated EEC environment in which they will increasingly have to compete.'

A system that had served the country well in the early postwar years, he said, had become an increasing constraint in times requiring a more balanced and flexible mode of develop-

The (CAPS) national banknot the Central Bank but the largest State-controlled banksays it is putting its weight behind liberalisation, as are some other members of the Greek Cabinet as well as Mr.

The basic thrust of liberalisation would be to place greater reliance on free market determination of interest rates, and the establishment of a medium-term money market on which special credit institutions and the State could raise funds for

their requirements.
At present, a complicated system of reserve requirements ensures that the commercial banks help finance a substantial portion of the Government's budgetary deficits through the mandatory purchase of lowinterest treasury bills.

The Greek banking system consists of a Central Bank, 30 commercial banks, of which 17 are branches of foreign banks, three investment banks and five specialised credit institutions.

In addition, a total of 14 foreign banks keep representative offices in Greece, but under the provisions of their instruments of approval, while they may explore and pursue potential business deals for their operations within

Similarly, under legislation dating from 1967, a number of foreign banks have set up offices in Greece to supervise offshore banking operations. These offices may neither transact nor actively promote any type of banking business within Greece.

The existence of so many commercial banks might appear to contradict the description of the Greek banking system as oligopolistic. However, the National Bank and the Commercial Bank together control more than 70 per cent of the country's commercial banking business as defined by private deposits and loans.

Some of the smaller banks in Greece suspect that "big sister"—the National Bank—is imposing caution on the liberalisation process for fear of ultimate effects, heightened by its ne part and parcel of the own bureaucracy, on its service establishment, lives dominant position in Greek banking. Alleged foot-dragging was strongly denied by Mr. Christodoulou in an address to an Athens foreign press asso-

ciation luncheon.

The National Bank, he said, welcomed liberalisation, appreciated that this would result in better and more efficient operations of Greek banking, and was confident that it had nothing to fear from a growth of competi-

"A lot of people find this surprising but the Bank's operating costs are proportionately among the lowest of the domestic banking organisathe relatively safe market tions and compare very favour-environment created by ably with those existing in the

committee included ragidity in banking, regardless of interest rates could not be create problems for the viability simultaneous liberalisation and simplification of credit control systems and a reform of regulations affecting the distribution of obligations and privileges among the members of the banking community.

Special care, he said, should be given to the necessity for a fair application of the liberalisation process to all hanking institutions without inter-system distortions caused by placing heavy burdens on the shoulders of some of the insti-tutions while offering special advantages to others. Such dis-crimination would add to banking system complications and could eventually result in additional disturbances.

The real point—and this view is endorsed by government offi-cials—was that radical changes of the kind required could not be carried very far at a time of high inflation, little investment and low growth.

Recovery

Assessments vary on where the economy is going this year. The Government, with a political need for recovery in time: for the November elections, is forecasting recovery at the end of the summer, basing its hopes on a projected improvement of industrial production, a steady increase in bank deposits, apparently satisfactory balance of payments developments, and a belief that the failure of the construction sector so far to: respond to the more generous housing loan policy introduced this year is attributable to psychological effects of the February earthquakes, which will dwindle along with the aftershocks.

It still insists on its forecast of "below 20 per cent" infla-tion in 1981, after two consecutive years of around 25 per cent. A more cautious view, held banking circles, is that small improvements noted in the basic economic indicators may be seasonal, and should not be taken too seriously at the moment.

Even if inflation were held at 20 per cent, and a revived construction industry should propel the economy into modest recovery, it is doubtful if the conditions would be such as to permit banking liberalisation plans to be taken off the shelf. The top interest rate of 2:

per cent on time deposits of rbove a million drachma is likely to be reduced slightly, but not sufficiently to bring it any where near the anticipatable return on invested capital. The Government is clearly in ment incentive legislation enacted early this year, introducing the EEC systems of investment grants. It is admitted that above half of the first batch of 300 applications came from the delusion that the Government is proposing to distribute free money," and no investment proposal of any scale has yet been announced Investment in Greece is still

ssentially a matter of State involvement, and is likely to stay that way at least until the resolution of inevitable uncertainties created by autumn's elections, that could be won by a Socialist Party hostile to private enterprise and committed to a still wider extension of

Successful adjustment to life within the EMS

IRELAND

By a Correspondent

DEVELOPMENTS IN modern Irish banking have tended to come in sudden bursts. There were the sweeping amalgama-tions of the mid-60s, which almost overnight left just four major "associated" banks in the country.

These were followed by a period of tremendous growth

and development. Looking back, Ireland's entry to the European Monetary. System (EMS) and the breaking of the historical parity with sterling may be seen as events of similar significance.

EMS opened up a whole new range of opportunities for Irish banks. Foreign exchange rooms had to be developed to meet the needs of an economy half of whose trade was conducted in what had now become a foreign

The need for forward cover was quickly recognised, leading to a further development of business and expertise. Foreign loans were suddenly big business for Irish banks, particularly in D-Marks. The new regime was not with-

out its difficulties. There was, first the question of compensating staff for the extra work in-volved. The powerful Irish Bank Officials' Association showed its muscle once again, with a ban on sterling trans-

In the end the once-off payments cost the two major banks, ments cost the two major banks. It has been shown that a put, new industry continues to Allied Irish and the Bank of bigger gap can exist between arrive in considerable strength,

rata. So far the banks claim not

to have made money out of EMS. The greatly increased business may give one leave to doubt that, but one bank, the Northern, has certainly lost. The Belfast-based Northern (a subsidiary of the Midland) funded expansion in the Republic with sterling and was caught, when sterling leapt ahead of the Irish punt, for almost £7m.

Popularity

That was an exceptional situation but the banks have taken some time to begin to settle to the benefits and drawbacks of EMS. The popularity of those D-Mark loans was due to their apparent freedom from the central bank's credit controls, combined with low West Ger-man interest rates and the relative stability of the EMS.

The market proved so popular, especially with farmers, that the central bank—which began by encouraging the trend - had to curb the growth of foreign indebtedness. Since then West German rates have risen sharply and fears have grown about a general EMS

Much of the Irish borrowing is now trying to come home and there are fears about what this will do to Dublin interest rates. Many bankers feel the last cut in rates (to around 15 per cent) was due more to Government encouragement than market

Ireland, nearly IrE3m apiece. Dublin and London rates than with the smaller Northern and many thought possible, but Ulster banks paying out pro- Irish bankers fear domestic pressures could force rates up later in the year, especially as savings have hardly grown,

despite the recession. On the figures, the banks have experienced differing fortunes during the recession. Again the Northern was badly hit. The more serious shakout of Northern Ireland industry forced it to write off £20m in bad debts, but the other Belfast-based bank, the Ulster more serious (a subsidiary of National West-minster) fared better.

Similar differences appeared in Dublin. Allied Irish showed a 20 per cent growth in halfyear pre-tax profits to Ir£24m, while Bank of Ireland reported a fall to Ir£20m. This difference, too, may be largely attributed to differing bad debt write-offs.

Most public comment has focused on the problems of the farmers, some of whom borrowed heavily and then faced a catastrophic drop in real income as the Brussels milchcow dried up. It is hardly possible to put an Irish farmer off his land and there was a feeling that, at the end of the day. the banks would somehow have to carry the burden.

Bankers say the number of farmers in real trouble is relatively small. The bigger more modern farmers tended to borrow most and they are also the ones best able to make their complaints heard.

Most bad debts will probably come from defunct industry but though there has been a net decline in manufacturing outgiving the banks more of what is probably their favourite form of business—tax-based lending

ference share and structured borrowings (called Section 84 after the relevant part of the Corporation Tax Act) are popular with industry and add an extra layer to the mix of grants and tax incentives offered by Ireland.

Incentives

The most recent issue of Allied Irish Bank's review carries a survey of foreign industrialists, most of whom express themselves happy with their Irish investment and point to the incentives as the major attraction.

It may be no coincidence that the survey appears in a bank-ing publication because tax-based lending is not popular with everyone — particularly PAYE taxpayers, who contri-bute over 80 per cent of all

direct tax receipts. It is unlikely to be removed. however, given that the whole industrial development establishment is behind it. The challenge for the future may lie in more imaginative forms of financing and advice for small Irish entrepreneurs on whom

the country will have increasingly to rely.

Meanwhile Irish bankers feel they have weathered EMS, the consequent credit controls and the recession in reasonable shape. The doubt is about

Government policy. Bankers are increasingly auxious that with out some early and drastic pruning of public borrowins. the present calm may not last

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High profits attract bidders

BRITAIN

MICHAEL LAFFERTY

PAST YEAR is one vhich the big British commer-rial banks—known locally as learing banks—would prob-ibly prefer to forget. For them t was marred by the unthinkthic—a Conservative Government imposed a special levy on ank profits,

The levy was imposed on he banks after a period of coniderable public debate about he level of their profits, which were seen by the critics to be injustifiably boosted by the lovernment's high interest ates policy. It stretched back nore than a year to the 1979 esults, which showed UK proits ahead by 70 to 90 per cent.

The clearers' high level of rofitability — which was hecked by heavy bad debt pro-isions in 1980—arises pri-narily from the banks policy ver current, or chequing acounts. Credit balances on hese accounts bear no interest nd account for about one third if the banks' domestic deposits.

The windfall profits tax is ound to encourage some of he clearers to look again at he possibility of paying some nterest on current accounts. uch a move would have to be inked to a policy of eliminating the considerable level of ross-subsidisation which eady exists in the pricing of ersonal banking services. But

which might meet with custion behind the rival bids which finance house, which has been Bank of England, and they have tomer resistance, since this emerged for the Royal Bank of in the clearing banks lifeboat on occasion resulted in the ing cost structures.

Anyone who doubts that
British retail banking is excep-

ment filed in April this year others are Bank of Scotland, with the U.S. Securities and and Clydesdale Bank, a Midland Exchange Commission by subsidiary), Barclays Bank. This shows that The jewel Barclays earned net interest Glyn's, with margins of 6.6, 8.1 and 7.7 per cent in the three years to December 1980 on its domestic

This compares with international lending margins of about 2.5 per cent for the same years, and is far in excess of the margins achieved by other major banks either in Europe or North America, according to a study by IBCA Banking Analysis, the London research firm. The only country with banks which earn margins any-thing like those of Barclays appears to be Spain, a country which has so far seen little competition in retail banking.

Expansion

Continental, European and North American bankers see the high levels of UK bank profitability as the key to the rapid international expansion of the British banks. If banks aremeasured by their capital the Big Four clearing banks— Barclays, National Westminster, Midlands and Lloyds—rank in the world's top 20, and Barclays is number one.

The profitability of British banking, and the retail market he banks are wary of anything in particular, is the main attrac-

would force them to look for Scotland group in March and efficiencies within their exist. April. Royal consists of two ing cost structures.

Anyone who doubts that Glyn's the fifth English clearing banking is exceptionally profitable has only to land, the largest of three lands and the largest of three lands. look at the registration state. Scottish clearing banks (the ment filed in April this year others are Bank of Scotland,

> The jewel is Williams and Glyn's, with its 300 branches in England. "British banking is the most profitable in the world," said Mr. Peter Graham, chief executive of Standard Chartered Bank, the Londonbased overseas banking group, when he announced his bank's bid for Royal. He made it clear that his ambition is to make the Big Four into the Big Five, but Hongkong and Shanghai Bank's rival bid may yet prevent that

happening The battle for control of Royal Bank of Scotland has highlighted the high degree of concentration that already exists in British retail banking. The market is dominated by the Big Four clearers, and there is nothing like the power of the savings and co-operative banks which have major market shares in countriés such as Germany and France.

The UK's Co-operative Bank is growing fast, but remains relatively insignificant. The Trustee Savings banks—all 18 of them—are beginning to flex their muscles after a long period as deposit collecting agencies for the Government. but their personal lending is still small. Their potential has, however, been enhanced by the recent acquisition of UDT, a

since the secondary banking collapse of the early Seventies.

The only other non-private sector banking institution in the UK is National Girobank, a subsidiary -of the Post Office. This institution is seen by many foreign and domestic bankers as having great potential, but so far it too has falled to mount a serious challenge to the clearing banks.

Wormed

The one group of institutions which has worried the clearers is not normally regarded as part of the country's banking system.
These are the building societies. They have overtaken the clearers as the principal gatherers of personal deposits in the UK, and some are showing signs of entering money transmission.

In the past year all the clearing banks took steps to compete more - aggressively - with the building societies, by offering a series of alternative savings products similar to those which for years. At the same time the banks have moved more actively into the home loans market, making it clear that they see this area as having great potential.

The clearers have also been more imaginative in the depressed corporate market over the past year. The banks are going to special lengths to support many industrial cusners who might otherwise go bankrupt. Some of these sup-port operations have been con-

clearers taking equity stakes in industry. This is virtually unprecedented in British commercial banking, but there are some signs that at least one of the Big Four wants to move further in this direction.

The most spectacular corporate rescue conducted over Massey-Ferguson, Canadian-based agricultural equipment multinational whose UK operations are the most significant in the group. It is now known that Barclays Bank played a major and probably unprecedented role in putting together the rescue, and selling it to Massey's 200 plus bank creditors. The operation goes back several years to a time when a senior Barclays lending officer started to make special inquiries into Massey The subinquiries into Massey. The subsequent work took Barclays executives to many countries, and involved it in convening national bankers meetings in a

It was also an active year for many of the merchant banks which operate from the City of London. Several reports that the opportunities afforded by the removal of UK exchange controls a year earlier surpassed expectations and resulted in a surge of new foreign business.

number of cases.

This end of the industry has seen more than its fair share of controversy over the twelve months. The most spectacular row the City has seen for some time occured at N. M. Rothschild, the famous merchant bank; where cousins Jacob and Evelyn disagreed, and Jacob was forced to take his own financial vehicle, RIT (it was Rothschild Investment Trust) to

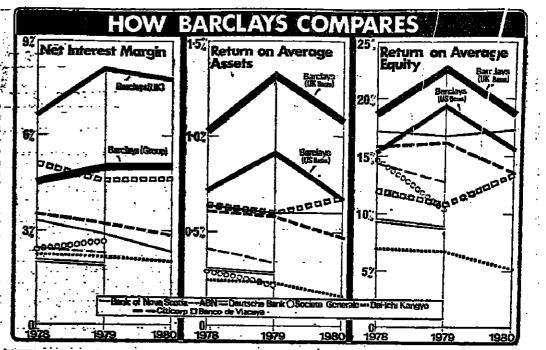
separate premises.

A row of another kind boiled over at Samuel Montagu when Midland Bank announced that it was bringing in Mr. Stafan Gadd, a Swede and former chief executive: of the consortiumowned Scandinavian Bank, as chief executive. Midland said there was nobody on the existing staff with sufficient experience for the job.

Over at Charterhouse Japhet, the merger with Keyser-Ulimann, a bank rescued from the secondary banking collapse of the early Seventies, resulted in a number of departures at a senior level

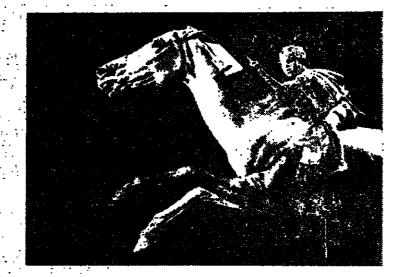
Some of these events re-focused attention on the significance of the Accepting Houses Committee, the body which all respectable merchant banks must belong to. The fact that it still counts for something was The third factor is that state. amply demonstrated when owned banks, like most other Robert Fleming—a merchant

nationalised concerns, have been bank with a good name-was starved of capital. The turn invited to join, bringing the over of Banca Nazionale del number of banks represented



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Past habits limit present system

ITALY

AMES BUXTON

he Italian banking system has een strengthened in the past cw weeks. The devaluation of he lira towards the end of larch was accompanied by a harp increase-from 15.75 to 0 per cent-in the deposits which banks are obliged to nake with the central bank. Vith all their other obligations o the authorities the proporion of the banks assets which s comfortably over 50 per cent.

That figure is made up by dding official cash and reserve equirements and obligatory ioldings of Treasury bills and other government or semi-state ecurities. The situation is ilmost inevitable in a country vhere the Government's public ector deficit is between 11 and 2 per cent of GDP and where he excessive prolonging of the ast economic boom has made recessary particularly tight nonetary measures to reduce. nflation.

However, monetary controls re being imposed on a banking ystem which is inflexible and on little exposed to competi-ion, cumbersome in its operaions and exasperating for nany of its clients.

This is the result of three actors: the conservative nature f the Italian banker and his ustomers: the strict banking aw of 1936 in the wake of the rash of 1931; and the tight ontrol exercised by the Bank f Italy, the central bank. There nay be changes on the way, but hey are not coming very fast. Merely to cash a cheque in all out of few banks in Italy is a abordous process. Banks that hould know better have been mown to place a crippling limit in the amount of money that an be drawn on one of the best nown international travellers

heques, while the initialling of

is the medium for most pay resident deposits).
ments: people use their bank They are closest ments: people use their bank accounts mainly for withdrawing cash with which to settle network but their competition than: one's own customary Saxon world regards as ineffici-

fear of fraud is not unjustified. The personal nature of commercial relationships in Italy means that cashing a cheque in the bank where one is known is a more congenial experience than it is in Britain, while those businesses which do accept payment by cheque do so with an agreeable lack of formality and double checking that sometimes seems casual.

Educate

The Italian banks have some responsibility for failing to educate their customers to drop some of their more conservative banking habits. They do not do so because they do not compete: strongly with each other, which in turn is the result of the peculiar structure of the banking system.

mercial, co-operative, savings and rural banks. They range from the big five banks (Banca Nazionale del Lavoro, Banca Commerciale d'Italia, Credito Italiano, Banco di Roma and Banco di Napoli) through some very big savings banks (Cariplo-Corro, di Rienspramio, della Pro-Cassa di Risparmio delle Pro-vince Lombarde — has morebranches than any other bank in Italy except Banco di Napoli and is fourth in the pecking order in terms of deposits) to lockets and counterfoils that the little rural banks and company every transaction is reminiscent of an up-country sist of only one branch.

The big five account for only clashes over the appointment of staff are under suspicion of 15 per cent of all bank branches in the country and have only Money transfers are at a 37 per cent of total current tive responsibility are not primitive stage compared with account deposits (though they uncommon other European countries. Cash handle three-quarters of all non-Secondly, certain of the state-

their bills. Bank cards are few is strictly controlled by the and it is usually impossible to Bank of Italy. The opening of cash a cheque in a bank other new branches is restricted, and banks may not operate in more branch. The clearing system is than one region without special slow, even allowing for the permission. Bank mergers have sloth of the Italian post office. to be approved by the central However, what the Anglo bank in Rome.

The advantage of this system encies suit to some extent the is that the small, local banks nature of a country where face- are to some extent protected to-face commercial transactions and that banking services are are usually the rule, and where available in small towns where big banks might not otherwise bother to penetrate. The dis-advantages include often poor service, lack of incentive toorganise a better clearing system and costly operations for which the bank customer has to pay.

The number of banks is about half what it was after World War II and the trend is towards a further reduction, albeit at an almost imperceptible rate.

The smaller banks naturally co-operate with each other and their bigger fellows, while there are formal and informal federations, clusters of the middle-canking banks and sav-ings institutions and interlocking shareholdings. As in other things in Italy, human contact softens what to an outsider looks like detachment.

The other peculiar element In theory the Italian bank in the banking system is that customer has the choice of all the big banks, the savings more than 1,000 different combanks and the special mediumand long-term credit institutes are predominantly owned in different ways by the state. This is important not so much in the sense that the state can impose its will on them (it has the power to do so anyway) but for three other reasons.

First, top banking posts are political appointments, subject to the division of spoils that is endemic to the Italian political system. Only recently has a rash of bank nominations filled gaps and rectified anomalies that had persisted in some cases for more than a decade, while

owned banks have a special legal status which means that mis-takes by their banking officers can be regarded as mishandling of public funds rather than just a commercial error, and punishable with imprisonment rather than the sack. This adds an extra layer of caution to an already timid operation.

jobs carrying day-to-day execu-

Starved ...

Lavoro has expanded six times back to 17. in the past 11 years, but its capital has remained static at L60bn (£25.5m). This is to be remedied: big capital increases are planned for the three main banks largely owned by IRI, the state holding company, and for the six banks predominantly owned by the Treasury. BNL's capital will go up to Lire 300bn. Here at last is an example of

innovation. It seems almost cer-tain that IRI will finance part of the new capital of the three banks by means of loan stock convertible into shares in the banks, thus increasing public participation in them. This will not only save IRI money but satisfy the stock market's need for more shares in banks, which are the most popular sector on There are hints that the same

thing may happen to Banca Nazionale del Lavoro, which has no institutional shareholders at The progressive tightening of

restrictions on lending in the past year has reduced the banks' appetite for deposits, to the misfortune of the small saver. Base lending rates went up to 22.5 per cent after the devaluation of March 22 but deposit rates remained at 11.5 per cent.
This enormous spread will boost bank profits on deposits

but is forcing big savers to put their surplus funds not into the banks but into Treasury bills where they avoid the 20 per cent withholding tax—and in to the more turbulent but lately highly profitable bourse. The distinction between com-mercial banking and longer term

lending officially commercial banks can lend only for 18 months except for a very small proportion of their funds—is more apparent than real. In practice banks roll over loans to their big corporate customers, though special institutions exist to extend medium and long term loans—they include IMI, ICIPU and CREDIOP."

Kescue However, the banks have so far resisted efforts by the

authorities to get them to take. part in consortiums to rescue bankrupt companies of doubtful value—such as the chemical concerns SIR and Liqui-Chimica. They have converted short-term debt in potentially strong private sector concerns such as Pirelli and Snia Viscosa into medium and long term, and these operations are judged successful. But they have not succumbed to pressure to become more entwined with the worst debt-ridden disaster areas of the public sector and its new adherents.

If there are signs of move-

ment in the Italian banking system, this is one of the more

positive ones.

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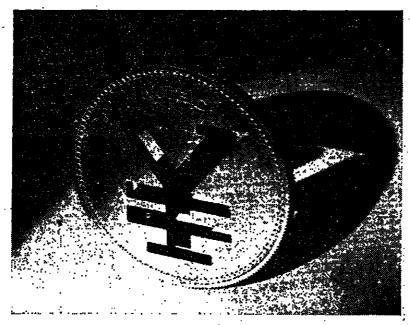
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Profit setback less severe than expected

SWEDEN

WILLIAM DULLFORCE Nordic Correspondent

THE SWEDISH banks experi-enced their first profit setback for 10 years last year but the slump turned out to be less severe than expected.

Prospects for this year are uncertain, depending on several factors. Among these are the possible reduction in the Riks-bank's record high 12 per cent discount rate and the way in which the still swelling national budget deficit is to be financed.

Although the banks are affected by the harsh economic conditions in the country and they chafe at the financial controls the authorities enforce to cope, the Swedish banking system is by no means listless.

The Riksbank has been fairly fexible in adapting its regula-tions to meet changes, and the banks have been able to intro-duce new instruments, such as bank certificates (certificates of deposit), successfully launched last year. Their foreign business has grown steadily for the past five years and competition is free enough to keep bank managements alert.

Permission

Swedish banking is "univer-sal" in the sense that the banks have the right to carry out any type of banking business but they are not allowed to invest in corporate stock. They can, however, obtain government permission to buy shares in other credit institutions, for instance, foreign banks.

The larger commercial banks nevertheless exercise a major influence on industry and commerce through their representation on company boards and through their satellite investment companies. Thus, many of the large Swedish industrial concerns are, in daily parlance, assigned either to the Wallenberg Group around Skan-dinaviska Enskilda Banken or to the Svenska Handelsbank

categorisation is less years ago. The Swedish multi-

expanding their industrial and 1979, commercial lending.

however, remains the competition among the three big commercial banks-PKbanken. Skandinaviska Enskilda Banken and Svenska Handelsbanken— which together provide roughly three-quarters of the com-mercial banks' balance sheet totals and lending.

Earnings

Svenska Handelsbanken held first place in the profits table last year with SKr 827m (£89.4m) after a drop of 13 per cent from its 1979 figure. Skandinaviska Enskilda Banken limited its earnings slide to 5.4 per cent and turned in SKr 804m while PKbanken ran into a 28 per cent slump which cuts its operating profits to

There are 12 commercial banks, all of them privately owned apart from PKbanken Gotabanken with headquarters in Gothenburg is the only one addition to the big three to boast a national network.

The commercial for more than 60 per cent of total bank lending in Sweden with the savings banks providing some 32 per cent and co-operative (formerly farm credit institu-tions) taking a 7 per cent share. The volume of commercial

bank business climbed by 19.5 per cent last year while average earnings fell by almost 14 per cent. The profits of the provincial banks slipped by only 6.6 per cent compared with a decline averaging 15 per cent among the four national banks.

The difference can be partly explained by the higher iquidity ratios enforced on the big banks, which means they have to hold relatively more term state bonds and other govern- again. ment paper offering sheets also contain more foreign currency-a business in which competition is sharper and margins smaller.

A 6 per cent fall in net

nationals, for instance, have recourse to more than one bank.

PKbanken the state-owned commercial banks and the savings banks have all been savings banks savings banks have all been savings banks savings banks have all been savings banks savings banks savings banks have all been savings banks savings savings banks savings s

The main focus of interest, inauspiciously for the Swedish owever, remains the combanks when the Riksbank raised the discount rate from 10 to 12 per cent. This drastic move was occasioned by a run on the krona, which in turn resulted from anticipation of a devaluation and a currency outflow in the second and third weeks of January measured by the Riks-bank at SKr 2.7bn.

The penalty rate at which the banks borrow from the Riksbank was increased from 13 to 17 per cent. At the same time the obligatory cash quotas applied to the banks were raised to 4 per cent for the commercial banks and introduced at 1 per cent for the other banks, making

the penalty rate effective. The effective interest on threemonth treasury bills went up from 12.87 to 16.8 per cent and rates on state bonds and other so-called "priority" bonds rose to 13.5 per cent.

The permitted average lending rate for the banks was fixed at 4 per cent above the discount rate and a 5 per cent "ceiling" was imposed for the increase in bank lending in the 12 months to the end of June.

The Riksbank's immediate aim was to push up the general interest rate, in particular the rates on the certificates of deposit and the special bank deposits, which determine where companies place their cash. In this way it hoped to reverse the movement abroad of short term

At the end of March, after pressure on the krona had eased, the penalty rate was reduced to 16 per cent and the effective rate on three-month treasury bills dropped from 16.8 to 15.7 per cent, allowing the gap between short and long term interest rates to widen

the level for the three big com-

because they illustrate the bank Governor Mr. Lars Wohlin finds himself, and on the resolution of which the short-term prospects for Swedish banking

Neutralise

On the one hand the Riksbank has to try to neutralise the deficit and to be ready to adjust for any currency effects of Sweden's large deficit on curren

These remain the two primary influences on the Swedish financial market. They produce a strong upward pressure on in-terest rates and, in the Rikebank's view, call for both tight limits to bank lending and controls on interest rates to protect industrial borrowers.

On the other hand, Mr. Wohlin would undoubtedly prefer to discard the current controls on bank lending and interest rates and to make more effective use of the cash quotas, which determine the banks' borrowing from the Riksbank-This would open up the banking system to market forces, as the banker would like.

However, with the curren budget deficit the Riksban in even higher interest levels which would again inhibit the industrial investment and recovery the country needs.

Financing a large budget deficit is seen as being incom-patible with further liberalisation of the banking system, at least until the Government can bring order into public finances. The chances of that being done soon are dim, to judge by the revised 1981-82 budget published

It raised the estimated short-fall in the next fiscal year to almost SKr 75m on total expen-From March, too, the banks' finance plan for the current obligatory liquidity ratios were calendar year indicated that the level for the level would have to be raised within mercial banks to 42 per cent. the banking sector to finance. The Riksbank expressed its intention of dropping the ceiling more than shown in the original on total bank lending from July 1981 finance plan.

Prospect of relief from tight controls

FINLAND

LANCE KEYWORTH

THE IRON Maiden of Snellman Street (the address of the Bank of Finland) seems to be unbending a little after some two years of strict monetary con-trol of the country's banks. The relief among the bankers is not yet audible, but it is perceptible. They have been beset of late by several problems other than just trying to meet client credit requirements and make a profit that justifies the same dividend as in most earlier years. For one thing, there was nearly a bank strike (the last was in 1973), and that caused a run on the cash desks. It also necessitated more borrowing on the expensive call money market.

Formulation

A second cause of some con-cern has been formulation of the rules of the game for foreign banks establishing sub-sidiaries in Finland under the law that took effect in January 1980. A third is the competition for clients which may at last be subsiding to sane proportions but has threatened to get out of hand from time to time because of the peculiar features of the Finnish banking system. Fourthly, the deposit inflow went down in 1980 compared with fiscal 1979 and the lending outgoings rose. It looks as though the disposable income of households will increase little this year, which does not augur well for deposit business.

Even the Bank of Finland has now agreed that the Finnish economy is slipping into a recession after a high run that has stretched over a period of two years. Some loosening of the purse strings was contained in the bank's announcement early in April that the rate of interest on call money market drawings had been reduced in two steps from 12.5 per cent to 11.5 per cent. On top of this the central bank reduced its cash reserve deposit obligation on the deposit-taking banks from 4.6 per cent to 4.0 per cent retroactively from end-March Skopbank and then again to 3.6 per cent OKO Bank effect from the end of

The cash reserve agreement of March 1979 gave the Bank of Finland the right to order the banks to make cash reserve deposits for up to 5 per cent of their deposit intake. By the end of 1980 some FM 3.2bn (£355m) had been temporarily "frozen"

in this way.

The Union of Bank Employees wanted the equivalent of a 30 per cent increase in earnings over the two-year period ending in March 1983. Most of the other unions in the country settled for an increase of 12-13 per cent, plus a two-phase index protection clause. What the bank employees got at the eleventh hour was an increase of about 17 per cent over a three-year period.

Deposits proper in the commercial banks increased by 16.3 per cent in 1980 compared with 17 per cent in 1979. But the increase in cheque accounts was only 12.5 per cent compared with 45 per cent the year before. As deposits in foreign currencies contracted and the inflation rate Increased (to about 13 per cent in 1980) there was hardly any real growth. Commercial bank lending advanced by 19 per cent compared with 16 per cent in 1979.

Mr. Filip Pettersson, chief

general manager of Bank of 'Helsinki, said to the annual general meeting of the bank's shareholders in March this year: The interest weapon should be the most effective in monetary policy but since a deliberate interest policy is not possible in our country and the central banks penalty interest rates cannot be passed on to borrowers, the penalty interest system hurts the banks unilaterally. It cannot be just to penalise the banks for the economic development which necessitated drastic economic policy measures. The present penalty interest policy weakens the banks already very modest profitability in international

Bank of Helsinki

native would perhaps be a of establishing subsidiaries now lending ceiling."

This grew really flerce at the operating regulations. cnd of the 1970s and led among other things to accusations of "In general," says special trading obligations to meet such as housing loans to individuals, loans for university students, underwriting of state

Export Credit. Publicity

Housing loans, ordinarily managed by building and mortgage societies in other developed countries, are a special case in point. Fullpage advertisements in the newspapers, prime time on commercial TV and other publicity was used to show why the potential borrower should come to Bank A rather than Bank B. The situation got so bad that the Bank of Finland stepped in and laid down guide-

bond floats and loans to Finnish

The banks now offer a housing saving premium account for savers aged 18-34. After two years of savings the bank will grant a loan amounting to 80 per cent of the cost of the first house purchase of the saver. The state subsidises the interest, which at present is 8 per cent a year.

The special features of the Finnish banking system touched on in the foregoing should, in the opinion of most Finnish bankers give pause for thought to foreign hankers that might terms. A complementary alter- have been attracted to the idea

ending ceiling." that the law has been changed. Since for political reasons Finnish bankers believe that the interest rates are seldom varied few foreign banks that have -at least an upward change in shown an interest so far have lending rates is hard to achieve not studied the problem suffici-—and they are fixed voluntarily ently, any more than the Bank by all the deposit-taking banks, of Finland and the Government competition for clients must have done. Ultimately it is the come from the services offered. latter that will draw up the

"In general," says a senior unfair advertising claims. The commercial banker, "we have commercial banks (Kansallis-pointed out to the Government—Osake-Pankki, Union Bank of when at last it deigned to confinland. Bank of Helsinki, OKO, sult us—the problem of whether Koreign banks can operate here within the existing framework of laws and regulations." Finnish banks are governed not only by the Finnish banking laws but also by the Bank of Finland, which makes its decisions stick by virtue of the fact that it is practically the sole source from which the banks can borrow when their lending outstrips their deposits, as it does most of the time. Will the foreign banks have the right to take deposits from the public? This is a major issue to be settled.

> " If not," the Finnish bankercontinues, "where do they find the financing to trade? From the parent company? Hardly. Capital imports would be controlled in ratio to the share capital by the Bank of Finland. The net result would be 'peanuts'. An alternative source for refinancing would be the shortterm mutual lending by large Finnish corporations which are looking for better rates than the commercial banks can offer. what we call the 'grey market'. These are running at 17-18 per cent today. Because the maximum lending rate of the banks is 125 per cent this is hardly a profitable basis for trading." In short, will the foreign subsidiares submit to strict controls of the Iron Maiden and the. Government and will they take their share of the less profitable

THE SIX LARGEST DEPOSIT-TAKING BANKS Balance sheet Per cent change on Dec. 31, 1980 previous year previous year 1978 1979 1980 Kansallis-Osake-Pankki Union Bank of Finland 16 Postipankki 17

Foreign business a bright spot

BENMARK

HILARY BARNES Copenhagen Correspondent

INCREASING domestic competition, internationalisation, large provisions for customer losses, and a search for new ways of maintaining the legal minimum 8 per cent ratio of equity capital to deposits and guarantees are the main issues concerning the Danish banking community.

Most banks ended 1980 with profit margins slightly reduced, squeezed by the record 13 per cent official discount rate which applied for seven months and a domestic recession. Operating conditions are expected to remain difficult in .1981, although some recovery in economic activity is anticipated fowards the end of the year. Banks which have published forecasts expect earnings to be slightly down on last year.

With their uniquely high equity ratios the Danish banks are rock-solid and well able to accept the large customer losses, which have especially affected the savings banks. They have operated under the same legal conditions as the commercial banks since 1975 and in

they make nevertheless in holders a 13 per cent rate of competition is expected to lead creases the potential problem interest on site deposits. This to a reduction in the number assets of DKr 13.3bn, let alone which the banks face in main has increased the number of independent banks over the Andelsbanken, Privatbanken, the early 1970s the banks had the past five months, for a total no problems in raising equity of about 60,000. The bank capital in the share market, but believes that this provides it today their share prices are too with the shareholder base to low to enable a share issue to. which it could successfully make compete with the high yields a new issue if it became on Government bonds.

Since this problem first arose in 1976 the banks have instead raised subordinated loan capital, both on the domestic and foreign markets, but the point is being reached at which the legal ceiling of 40 per cent on pended the credit ceiling, which the ratio of subordinated loan

capital comes into force.

What should happen if and when this point is reached is the subject of continuing discussion. A change in the 8 per cent ratio (which the banks would not advocate), an increase in the ratio of sub-crease in the rat ordinated Ioan capital to 60 per cent, or a general increase in profitability seem to be the three possibilities.

Meanwhile Copenhagen Han-delsbank is showing its creative talents to find its own way out of the problem.

and savings bank access to central bank credit.

It is raising DKr 170m by issuing 5 per cent, six-year index-linked bonds. The indexlinked value increment is tax-Government has said it will

taining their equity ratios. Until holders by about 30,000 over next few years.

Suspended

necessary.

The competitive situation was changed last November when the central bank suswas in operation for 11 years. The ceiling (on loan commitments) was applied individually to each savings and commercial banks and tended to prevent competition between banks (but

The credit ceiling has been replaced by a system of liquidity control which will operate through a combination of the sale of government debt and regulation of commercial

This means that banks successful in expanding the deposit yielding private mortgage base can also expand their notes (widely used to supplecredit. But the central bank free, which makes the bonds has made it clear that the ex-an attractive investment. The pansion in deposits must for attracting deposits from pansion in deposits must for attracting deposits from this nurnose come from normal foreigners. Jyske Bank, which

Rapid changes are unlikely as the banking structure settled into a rational pattern in the 1960s with an undergrowth of strictly local banks and savings banks, an intermediate banks and savings banks and a from international operations, superstructure of five nationlayer of about 15 regional wide commercial and two nationwide savings banks—a structure which seems to work

Interest is expected to focus in the immediate future on the merger between Finansbanken and the regional Jyske Bank, which will be formalised at mid-year. It has arisen not from competition but because of the retirement of the founder of Finansbanken, Mr. Alex Brask Thomsen. The merger will create a nationwide bank with assets of DKr 8.6bn and 118 branches.

Aggressive

Finansbanken has specialised since its foundation in the 1950s in investment in high ment mortgage bonds issued by introduce legislation to outlaw business and not through serves the mid-Judand region, the use of index-linked bonds money market operations. their efforts to gain a share of corporate business they accepted risks which boosted their losses.

The customer losses do not misses are present a serious threat to the serio

Danske Bank and Handelsbank (the latter two with assets of of about DKr 43bn) or the two largest savings banks, SDS (assets DKr 26bn) and Bikuben.

A feature of the accounts of the major banks last year was the substantial earnings changes, but also a substantial increase in the volume of busi-

It was, among other things the first full year in which the Cayman Island branches of the Danish banks were in operation, and they did roaring business. Until 1979 the banks had to faise most foreign currency loans for Danish customers by issuing guarantees for loans provided by foreign banks, but the Cayman branches have enabled the banks to bypass this restriction on their foreign lending activities.

The banks have intensified the search for business abroad by following Danish business to foreign markets. There are two approaches to this, the consortium philosophy and the goit-alone approach.

Handelsbank and Danske Bank stuck to the consortium philosophy, reconfirming this approach by their participation in the Nordic banks opened in New York last year and this, where Handelsbank is a partner in Nordic American Bank and Danske Bank in American Scandinavian Banking Corpora-tion (AMSCAN) with PK-

suit). "This requires greater resources, but it gives us greater flexibility," said Privatbanken's chief executive Mr.

Arthur Schmiegelow. The approach reflects to some included many of the largest the utilities, while Handelsbank loan lead managers in 1980, and Danske Bank, also by tradition, have more of the smaller Nordic bank.

d medium-sized companies. On the technical side of "Many of our customers have Danish banking, the commercial and medium-sized companies.

Primacy

The customer base and the London bank also help to explain Privatbanken's primacy among the Nordic banks as lead extent the bank's customer manager for syndicated loans in base, which traditionally has the Euro-market, in which it manager for syndicated loans in was ranked 61 in Euromoney's Danish corporations as well as listing in March of syndicated

Bank (Norway) and Union Bank of Finland.

Privatbanken has adopted a different approach, buying a textension of our business—and bank in London and operating it as a wholly owned subsidiary and setting up a branch in New York (in which Provinsbanken has announced plans to follow suit). "This requires greater to faunch a purchasing card jointly this year, while the savings banks are planning to launch their own joint credit card. If the cards catch on they will radically reduce the expansive use of cheques, which is extensive practice in a country where virtually all wases and salaries virtually all wages and salaries are paid automatically to bank

accounts. As the banks themselves competed for the wages-by-cheque business, they felt morally inhibited from introducing charges for the use of cheques. costly as they are in administration, although Danske Bank has led the way to reduce cheque use by providing favourable interest rates on site deposits where fewer cheques are cashed.

present a serious threat to the success. for rationalisation. After a hill long way to go overall profitability of any of the second step taken by in the lively merger activity of catches up with the fifth-rank-the bigger banks, but the dent Handelsbank is to give share. the 1960s, the new wave of ing nationwide commercial Oil taxes create currency problems

NORWAY

FAY GJESTER Oslo, Correspondent

THE SPRING crop of annual reports shows that 1980 was a difficult year for Norwegian banks. Tough credit curbstightened in the second half of the year-hit profitability. From September 1 last, the primary reserve : requirement for commercial banks in south Norway was raised to a record 13 per cent. The trouble was com-pounded by an upsurge in operating costs, following the end of a 15-month prices and incomes freeze. In Norway's managed economy the banks must still seek Government permission to raise interest rates and service charges to. customers. This means a timelag in compensating for higher.

Bankers blame their difficulties mainly on the Government's inflationary fiscal policies. These create excessive liquidity in the credit system which the authorities then seek to contain by pushing up primary reserve requirements and bond invest-ment obligations. The lattera traditional feature of the Norwegian, banking scene — Bank holdings of private oblige banks to invest in bonds bonds (including municipal)

increase in their assets. The present proportion is 40 per cent for savings banks and 30 per cent for the commercial banks. Within limits, the arrangement of the market.

For example, to stimulate rate on these was raised by one demand for shares in Norwegian joint stock companies the Government ruled some time ago that up to 5 per cent of the banks' investment obligation could be met by investing in such shares. Each bank's share of bond holdings to total assets is, however, limited by the Credit Act to 30 per cent.

The final quarter of 1980 saw a steep rise in holdings of private and municipal bonds by the banks, following a move by the Government to liberalise the domestic bearer bond market. Restrictions on bond issuespreviously subject to a strict icensing system-were siderably eased from October. bond investment obligations.

onwards. This led to an upswing in new issues by private companies, which used the bond market as an alternative to borrowing directly from the banks. Since the private bonds paid higher interest than Government bonds, the banks bought the former, in preference to the latter, to meet their

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followed by an uncomfortable silence.

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international

At the same time bank pur- early April. chases of Government bonds to make the Government issues competitive again, the interest percentage point. A State bearer bond loan was floated

at the new higher rate and the banks took up NKr 600m. It remains to be seen, howincrease will stimulate sufficient. The need to expand share demand for Government bonds. capital is a side-effect of infla-

> oil companies, of large amounts taxes and royalties.

> > The oil companies earn their

Exchange

income in foreign currency but must pay taxes in Norwegian kroner. To cover themselves against exchange rate risks they buy forward kroner from the banks, which then acquire a forward exchange claim. How-ever, Norwegian regulations require the banks to keep their total foreign exchange position - spot plus forward - in bank policies. It may actually halance. They can do this in have done the banks some two ways-by increasing their foreign currency debt abroad (thus creating an inflow of liquidity from foreign banks) or by selling the exchange forward to the Bank of Norway (the central bank) or other Norwegian buyers. Because the central bank has

not been willing to do forward business with the banks on the scale required, they have been forced to borrow currency abroad on the spot market, at high foreign interest rates.

By end-1980 the banks' net foreign liabilities had risen to NKr 11bn — nearly NKr 8bn higher than a year earlier. This naturally led to a big rise in interest costs. The hanks could not recoup this by advancing the money to Norwegian customers at corre-spondingly high rates. On the contrary, because the inflow of foreign money led to a rise in the banks' liquidity, the autho-rities reacted by raising primary reserve requirements, thus forcing the banks to put a larger share of their assets in low-

interest Treasury bills.
It has been suggested that currency swap operations by the Bank of Norway could ease the problem and the bank has recently been using this technique, though to a limited extent. Advocates of the method claim it would lessen the need for bank borrowing abroad, while at the same time partly absorbing the liquidity created

by any foreign capital inflow. from the credit curb straightjacket produced a limited response last month, when the primary reserve requirement for south Norwegian commer-cial banks was lowered from 13 to 10 per cent. This brought it into line with the requirement applying to savings banks in the south of the country. The Finance Ministry said that lending trends did not justify dif-

At the same time, however, it warned that the move did not herald a more liberal credit policy. It was designed mainly the revenue is being absorbed to offset the seasonal tightening in the domestic economy. Last

ferent rates for the two groups

rose by NKr 4.65bn in 1980— of bank liquidity created by year actually saw a sharp fall NKr 2.6bn more than foreseen tax inflows—payments of ordinin direct investments abroad by in the Government's revised ary taxes in the second half of Norwegian companies. Accordeconomic forecast for the year. February and of oil taxes in ing to the Bank of Norway they

Despite the generally poorer enables the authorities to virtually dried up. In January, 1980 results, most banks either channel credit to various sectors to make the Government issues raised their dividends for the year or maintained them at the permitted 12 per cent maximum. This is because most of them expect to have to float new shares issues in the not too distant future and want shareholders to regard bank shares ever, whether the January as an attractive proposition.

> The authorities must keep these tion—currenty running at issues reasonably competitive if about 15 per cent in Norway, they are to continue using the Government regulations rebond market as a means of quire the commercial banks to regulating the credit supply. quire the commercial banks to maintain equity at 6.5 per cent The revenue from North Sea of liabilities; the two most imoil and gas has created a new portant ways of doing this problem for the banks. Sharp are through retained profits or fluctuations in liquidity result by increasing share capital. In from the periodic payment, by practice, because profits are not high enough, a steady expan sion of share capital is the only way to maintain the necessary

Meanwhile, world appears to have had little difficulty in adjusting to the Labour Government's contro versial bank democracy law, which took effect three years ago. The law put public appoin tees in a majority on the banks representative councils. Which elect their Boards, but the advent of these "outsiders" has had little obvious impact on bank policies. It may actually good, by increasing politicians' understanding of the banks' problems. Finance Minister Ulf Sand never tires of saying that the banks must be allowed to make "reasonable" profits so that they can attract the risk capital they need to play their role in the credit market. In fact there are signs that

most banks can expect to do better this year, as they come to derive the full benefit of interest rate increases granted last September. This year, too, they have been allowed to increase charges for various services. For the first time ever Norwegian current account holders now have to pay a charge on cheques below a minimum (initially NKr 150), and employers are being charged for transfers of salaries to employees accounts.

Obligation With effect from February

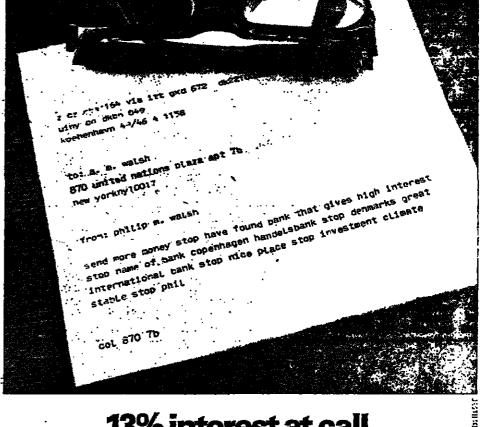
17, moreover, the Ministry of Finance raised the interest rate on Treasury bills by one percentage point, bringing the effective yields on new 30-day and 90-day Treasury bills up to 9.05 and 9.5 per cent respectively. This will benefit the banks because of their obligation to hold some of their assets in Treasury bills.

From January 1 this year the foreign exchange department of the Trade Ministry was transferred to the Ministry of Fin-The banks' clamour for relief ance, In consequence the latter will henceforth be responsible for regulating the floating of bond loans abroad by Norwegian residents. The raising of loans from banks and bank syndicates abroad will be regulated, as previously, by the Bank of Norway, while the raising of loans abroad in connection with the purchase of ships will continue to be regulated by the Trade Ministry.

Norway's new oil wealth is expected, over the somewhat longer term, to lead to a big rise in capital exports. For the time being however, most of

fell to around NKr 679m-what the bank calls "a more normal level"—from NKr 1.28bn in 1979. The high figure for 1979 reflected certain major industrial investments undertaken by Norwegian firms. The extent of foreign establishments in Norway showed little change between 1979 and 1980.

In 1980 licences worth a total of NKr 302m were issued for direct investments in enterprises in Norway other than applications concerning direct inward or outward investments were refused in 1980 and adds that the Bank of Norway will to oursue a libera licensing policy in this area.



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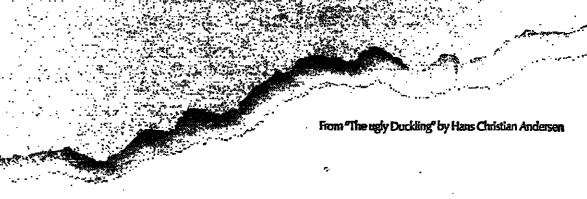
convertible account, which allows any non-resident to deposit up to Dkr. 200,000 at 13% at 12 months' notice. Interest rates for other accounts as on

10th April 1981: At 3 months notice 10%

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There's year agon is paid. and the other children pined in with shouts of delight. Yes, there's a new swan!" And they clapped their hands and danced about and tan to letch father and mother Bits of bress and take were thrown into the water, and everyone said 'The new one is the prettiest so young and handsome!

And the old swans bowed before him



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THE FINANCIAL TIMES BUSINESSPUBLISHINGLIMITED

Critics urge readier provision of risk capital

SWITZERLAND

BRIJ KHINDARIA

SWISS BANKS are bursting with robust health at a time when many other industrial sectors are fighting to protect market shares and the Swiss Government is worrying about the political repercussions of a widening budget deficit.

In a country where parsimony is the cornerstone of ethics, the complaint from most quarters against the banks is that they do not take enough risks, even when the borrowers are hardworking Swiss com-panies strapped for cash.

The consensus among academics and many company board-members is that the only way for Swiss business to expand is to keep one step ahead of other European competitors in technological inno-vation. That needs heavy investments in research and development and capital equipment. The banks, it is alleged, and Neuchatel in the last 18 in Swiss banks by foreigners, are not doing enough to fill the months reflects frustration with as the price the Swiss people need for such high risk investments, especially by small and medium-sized companies whose survival hinges on successful

The Government too is looking at banks with censorious eyes. Socialist Finance Minister, Mr. Willi Ritschard, thinks that an industry performing so well in times of depression should do more for the public

An influential section of parliamentarians and opinion is veering towards arguments put forward

by the Socialist Party — the Switzerland's slow-moving and should charge to foreigners for country's central bank), the country's largest political group opulent life style. country's largest political group opulent life style. — to obtain certain curbs on The country has more banks privileges enjoyed by banks per head of the population from banks, he has since under Swiss banking secrecy than anywhere in the world 50 remained silent.

The banks are feeling

In fact, the laws are not particularly protective towards banks. Their main provision makes leaking of information about bank accounts or custo-mers a criminal rather than civil law offence, in contrast to other European countries.

But the Socialists are playing on emotions by saying that violent Third World dictators and criminals from around the world hide ill-won gains in numbered bank accounts. The allegations are not substantiated and the Swiss Bankers Associ-ation has published figures showing that almost all Third World funds in Switzerland are deposited by central banks.

Frustration

Some sociologists say that Mr. Ritschard said in a news-uncharacteristic rioting by paper interview early this year young people in cities like he would like to place a 5 per Zurich. Basle, Berne, Lausanne cent tax on all money placed

hard work, orderliness, dis-eretion and under-stated prosperity influence people more than elsewhere. The youth revolt appears to be as much against those values as for satisfaction of demands for more social services for young people.

While not insensitive to criticism. Swiss banks especially the big three-Credit Swiss, Swiss Bank Corporation and Union Bank of Switzerland —are more preoccupied with fighting the Government's tax plans and attempts at regula-tion than with social problems.

They have already won a significant victory. A Finance Ministry plan to place a 5 per cent withholding tax on deposit accounts held by Swiss banks for foreigners has been shelved after a vigorous campaign by the Swiss Bankers Association.

THE SWISS BIG THREE

(SwFr m—1979 figures in brackets)					
	B/sheet total	Net Profit	Dividend		
Swiss Bank Corp.	74,109 (69,180)	286.6 (258.0)	292.9 (184.3)		
Únion Bank	77,527 (68,368)	334.0 (290.0)	235.0 (225.0)		
Credit Sulsse	63,475 (55,234)	281.0 (247.0)	(170.0)		

harassed by the Federal Banking Commission, the national regulator of banking activities. The commission has brought in new deposit ration rules, insists on consolidated balance sheets showing both foreign and domestic operations, and is studying further controls on foreign operations. It is also revising rules protecting small and medium sized depositors in

commercial and private banks. The large banks say the new regulations will cut into their foreign business but they may be over-reacting. Foreign investors may feel more confident if they think that bank failures in Switzerland are less likely because of closer governmental

That is the commission's argument. It points out that account holders of Swiss banks lost SwFr 1bn between 1971 and 1979 because of the collapse of banks. Four-fifths of the losses occurred because of liquidation of three medium-size banks --Banque de Credit Internionale, Weisscredit ' and Leclerc—and from disastrous portfolio management by private banks.

The federal banking law, revised in 1971, is due for renewal and a Government committee including bankers is working on a new text.

Regulated

Switzerland has 554 banks and finance companies regulated by the federal banking law. According to the latest figures issued last December by the Swiss National Bank (the

of SwFr 4385m at the end of 1979. The total increased by 9.9 per cent (7.8 per cent in 1978), with the largest increase year, of 15.4 per cent scored by foreign-controlled banks, compared with 12.4 per cent by the major Swiss banks.

The Swiss Government and the Federal Banking Commission are wary of allowing banks to take a direct stake in any companies because of the heavy predominance of the big five banks. Financial and holding companies are. of course, allowed much more freedom.

The big five accounted for more than three-quarters of the increase in balance sheet totals of the country's 71 larger banks interbank funds fell slightly. to SwFr 361bn to the end of Customer deposits were September 1930—a rise of 10.8 heavily influenced by interest

per cent over the year. The rates The largest gains were traditional roles of partners in combined balance sheet total of made in long-term and time institutional investors place the the big five rose by 13.4 per cent to reach SwFr 230bn in the first nine months of last

However, the growth of balance sheet totals is likely to slow in percentage terms in coming years because of tight legislation concerning banks' equity. Many bankers feel they have exploited all the possibilities open to them under current laws-among the strictest in Europe.

Domestic savers remain the largest tenders to Swiss banks. The 71 major banks increased cent to SwFr 320.9bn up to the end of September 1980, while

deposits because earnings on sacings books and medium term deposits were below the inflation

The Big Five are striving harder than ever to find foreign business to supplement their \$15.3bn.
syndicated loans, providers of The management of the management

Potential

Tight equity requirements and a legal obligation to provide first for operations linked to

institutional investors place the 90th place as a lender of internationally syndicated loans with \$350m in 1979, compared with:

Citicorp in first place with The main debate in the boardrooms of big banks concernate institutional and governmental how to consolidate at home for borrowers, and handlers of large a new push abroad. On the one-fiduciary (trust deposit) hand regulations and equity. requirements make them fear for their international competi-

tiveness, while too vicorous a scramble at home would harm. Cantonal and regional banks. The banks are acutely aware. that, in spite of their enormous power within Switzerland, they Swiss interest in foreign countries has limited the growth potential for Swiss banks abroad. Recent figures on British and Japanese banks.

Realities interrupt a dream

AUSTRIA

PAUL LENDYA! Vienna Correspondent

FOR SEVERAL reasons 1980 will go into Austria's post-war history as a "bad year for the banks," possibly marking also a turning point after a long uninterrupted period of good years. Gone is the dream of living on an island of stability

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The manifold consequences of spectacular insolvencies and liquidity difficulties, involving some of the best known Austrian private enterprises, can no longer be swept under the carpet. For all the windowdressing before the presenta-tion of the balance sheets for 1980, the small world of Austrian banking has been badly shaken by recent develop-

ments. The coincidence of several factors drew unprecedented pub-lic attention to the banks in general and their management

The outgoing chief executive of the Creditanstalt Bankverein. Dr. Heinrich Treichl, the "Grand Old Man" of Austrian banking, bluntly told the "political back-seat drivers" in his latest annual report that a small land-locked country dependent on foreign trade and hit by a large current account deficit could not possibly dream of an autonomous interest rate policy. He also sharply rejected accusations that the rise in interest rates was due to the cancellation of the agreements setting standard deposit interest rates.

Deviation

It is now generally agreed that any deviation from the "hard" schilling policy pegged more or less to the D-Mark and any attempts to keep domestic interest rates at artificially low levels would have been impossible without fatal consequences to the country's shrinking foreign exchange reserves. Thus regardless of the lapse from a 3.5 per cent growth in Gross National Product (GNP) in 1980 to a virtual stagnation this year, the policy of scarce money and high interest rates is likely to be maintained

by the central bank this year. The external influences, primarily from West Germany, and the consequences of record budget and external payments deficits have sharpened the structural weaknesses of overstretched and previously pro-tected branches such as textiles, engineering precision instruments and last—but not least—steel and above all special In a country with a mixed economy and with the banking sector subjected direct and indirect political meddling, the banks have never been able to keep their loan policy immune from outside

In the boom periods management mistakes or losses due to white-collar misdemeanours could be easily repaired or hidden. The collapse of large private businesses with debts exceeding Sch 2bn (about £60m) and also involving nationalised banks made front page news and engendered public soul-searching. The fact that Oesterreichische Laenderbank. the second largest nationalised bank, has had to pass its divi-dend for 1980, for the first time in its long and distinguished his-tory, has underlined the farreaching implications of the liquidity problems.

ing of growth and the growing indebtedness of many companies coincided with a imma in many companies coincided with a imma in many companies of many companies coincided with a imma in many companies were opened than in the 20-year period 1956-76.

with a coupon of 10 per cent and at par.

Meanwhile, the cancellation f the interest rate agreement by the commercial banks in mid-1980 has given a powerful push to competition for the small investor's money between the joint stock banks and bankers on the one hand and the cooperative sectors — savings
banks, farmers' and small husinessmen's credit co-operatives—
setbacks were also due to manon the other.

and Dr. Hellmuth Klauhs, chief by personal considerations executive of Genossen-chaft such as currying favour with liche Zentralbank - publicly complained about the pressure "interest rate war.

The large Vienna-based savings banks and their central institute were the main sufferers

LEADING BANKS (Balance Sheet totals Sch bn December 31, 1980)

	•
Creditanstalt	203.6
Girozentrale	158.2
Laenderbank	118.1
Zentralsparkasse	107.8
Kontrollbank	101.3
Postsparkasse	84
Genossenschaftliche Zentralbank	83.6
Bawag	74.3
Erste Oesterreichische	71 0

from bonds and various certiback into savings ficates

In the first half of 1980 the special deposits and various bearer certificates of deposits attracted funds to the tune of Sch 40bn and Sch50bn, while sight, time and savings deposits subject to the interest rate agreement dropped by Sch 28bn. The unilateral termination of the cartel led to a growth of the formation of money capital by Sch 70bn in the second half of last year as against a mere Sch 28bn in the first six months.

Meanwhile the bond market also suffered. The net increase last year in fixed interest securities totalled Sch 40.3bn, a sharp reduction from the record level of Sch 68.2bn in new lasues a year earlier. The banks are now considering a substantial reduction of new issues this year and are seeking to place 60 per cent of new issues with noninstitutional domestic investors after the corresponding proportion had dropped from 50 per cent to 40 per cent last year.

The mushrooming new branches often built on a lavish scale, were by-products of the struggle to keep, or to increase, market shares. As a result last year there was one branch per 1.500 inhabitants as against one per 2,000 in 1977. Put in another way, during the last five years more new branches

Simultaneously banking has become an important industry. coincided with a jump in money become an important industry, market rates from just over 8 with some 63,000 employees—per cent in January, 1980, to equal to 2.3 per cent of the 10.5 per cent in mid-1980 and to

and growth amid any world over 12 per cent this spring. By country. These and similar financial and economic up the beginning of this year figures indicate that Austria heaval.

federal bond issues were floated has virtually caught up with figures indicate that Austria has virtually caught up with neighbouring Switzerland and network of branches and empopulation is concerned.

In addition to political backseat driving—so often pharasi-cally condemned by personalities who in their own branches sethacks were also due to management mistakes. To some ex-Spokesmen for these sectors tent the pumping of funds in--including Dr. Karl Pale, to ailing or practically bank. director-general of Girozentrale, rupt concerns was motivated. rupt concerns was motivated's the politicians or regional lobbies at a time when conon interest spreads and profit tracts were up for renewal. At 2 margins caused by the "free-for-all" in what is called the of boards of nationalsed banks. 2 companies is even more of: a political issue in Austria's than elsewhere.

Reshuffles

The problems in the banking a sector coincide with major reshuffles at the two large, nationalised banks, Creditanstalt. and Laenderbank, which in turn are the direct result of the replacement of the con-troversial Finance Minister Dr. Hannes Androsch by the former Minister of Health. Dr. Herbert Salcher, as Minister and the appointment of Professor Hans Seidel, a wellknown economist, as Secretary of State at the Treasury,

The ruling Socialist Party pushed through the appointment of Dr. Androsch as chief executive of Creditanstalt as of next from the switching of funds a member of the board and deputy director-general). At the same time Dr. Androsch's secretary and until recently No. 2 at the Creditanstalt, Dr. Franz Vranitsky, was moved to the Laenderbank as deputy director-general to take over the function of the chief executive from Dr. Wolfgang Erndl-at

the end of this year. This means in effect that both of these nationalised banks and their industrial empires will be run by Socialist party members.

To retaliate for the public Dr. Androsch in the supervision board by the opposition People's Party, the Socialists blocked the promotion of the able foreign? exchange specialist Dr. Fried-" rich Sequens to the board off! directors-solely because he is not a Socialist. Thus at a time when the

banking branch is faced with the daunting task of adjust-ment to new realities political backstairs influence is growing. with a party card counting once again more than professional qualifications. But since Austria in terms of loans per inhabitants ranks, for example. as Poland's No. 1 creditor (in absolute figures it takes fifth place with Sch. 30bn of credits. granted to Poland) and new foreign business accounted for 44 per cent of last year's growth in total assets of Austrian banks, it is widely felt that the country should tap the best available talent at every level, in a bid to maintain its first-in class credit rating and its international reputation, based on a long record of labour peace and a stable growth.

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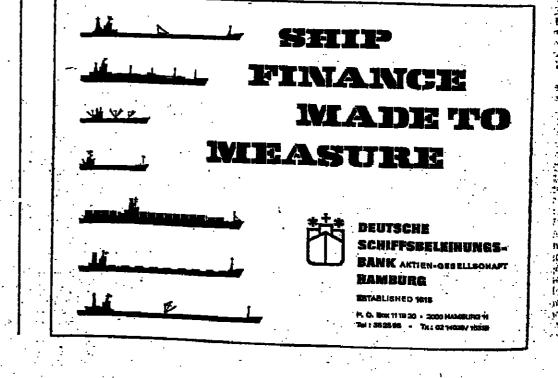
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WORLD BANKING XIX

A power in the land

SPAIN

ROBERT GRAHAM Madrid Correspondent

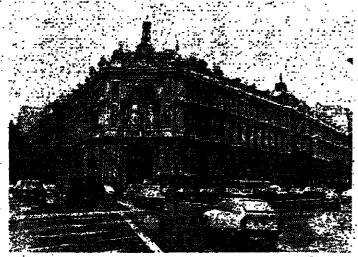
THE wake of the abortive ilitary coup in February one Spain's most prominent inkers commented off-handedly ist there were only three owers that really counted in te country—the military, the turch and the banks. Few ould deny the importance of iese respective institutions, ast of all the banks, which over ie years have acquired very insiderable weight.

In Europe Spain is arguably se country where the private inks have the greatest single irect influence on the economy. atterly, however, this influence as been used more defensively ian aggressively. The banks ave been primarily concerned protect their own interests at time of serious recession and hen the authorities have been eking to liberalise the fin-icial system.

Institute

Unlike its nearest European eighbours, France and Italy, pain has not permitted State rancial institutions to play a ajor role in banking. The State present in the shape of the overnment-run Official Credit istitute (ICO) and its various obsidiaries that provide credit r industry, agriculture, hous-g and local authorities. The ate also runs, though does not illy own, the Banco Exterior, hich exists primarily to pro-de export credit but also acts : a commercial bank. Meanhile the savings banks account r almost 30 per cent of total sposits in the banking system. That said, the banking system effectively dominated by the -called "Big Seven" private mmercial banks - Banesto, entral. Hispano - Americano. antander. Bilbao. Vizcaya and opular. Together they account or 46 per cent of the capital nd reserves of the banking stem, hold 58 per cent of all immercial bank deposits and rovide 52 per cent of com-tercial bank lending. If their ffiliates and majority-controlled absidiaries are included the ercentage is even higherurther 10 per cent and more.

These banks also have their wn investment, leasing and nance houses-and, with the xception of popular, their own ndustrial or merchant banks. he dominance is the more reearkable given the continued



The Bank of Spain headquarters in Madrid

branch operations.

The influence of the large banks stems not merely from their sheer size but also because of the practice in Spain that grew up during the Franco era —and before—of direct equity participation in the main sectors of the economy. This is true whether the sector be elegen-

city supply, heavy industry or service industry, agriculture and agribusiness, or property. Moreover, the equity participa-tion may not always be significant but through cross-board membership and control over share voting rights placed with them, the banks are in many respects arbiters of the private

Specialisation

In 1962 banks were required to register either as commercial or industrial banks to encourage specialisation. This was intended to persuade the commercial banks to concentrate on the retail end of the market and leave investment to industrial banks, which were to act more like merchant banks. All the large banks, however, chose to establish their own industrial arms and this left only two specialised banks of significance Urquijo and Bankunion. The latter, while enjoying certain privileges, were not allowed to conduct commercial banking operations except with companies in which they had a sizeable holding.

But the effects of the fouraccounting for a year-old recession, coupled with moves to liberalise the financial system since 1977, have gradually eroded the distinction between the industrial and commercial banks. Indeed neither made their displeasure known obliged to place in officially Urquijo nor Bankunion seeks to label itself as an industrial bank any longer. Instead they ally BNP of France, awaiting deposits are still affected by mercial banks. Indeed neither arge number of banks in Spain call themselves wholesale banks their opportunity, it now seems obligatory investments and the

and 25 foreign banks with advantage of increased mechanisation to set up small lowcost branches.

This is one of the major changes in the past five years in the nature of the banking system. Another has been the advent of the foreign banks, of which there are now some 25 operating.

Their importance stems less from the share of the market: that they have managed to carve out; they provide for in-stance no more than three per cent of commercial bank credit. It lies rather in the stimulus they, have provided to the forces change. Operating under restrictive conditions both in terms of the number of branches and on their pesets dealings, they have nevertheless brought new sophistication to the system. They have forced greater transparency and intro-duced a number of new techniques like the use of an acceptances market and the granting of floating rate loans.

Just as notably, the foreign banks have sought to penetrate the system even further through the purchase of Spanish Banks. Much to the surprise of the Spanish banking community
Britain's Barclays Bank, earlier
this year successfully bid for a
medium-sized bank, Valladolid,
an ailing institution which had
been administered for the new been administered for the pre-vious 18 months by the "bank hospital"—the Corporacion Bancaria Banco Santander had earlier been called in to look at this bank but had made a bid so low that it was rejected: In the formal auction for the bank Barclays was the sole

No sooner had the bid been

America's Citibank-which have been looking at coming in viathe back door by purchasing finance houses have been told by the Bank of Spain (the central bank) that the moment is opportune. In the short this means that the two ailing banks being administered by the Corporacion Bancaria, which the authorities are so anxious to refloat, will have to be taken on by Spanish banks.

The banking crisis itself which began in 1978 has been less evident in the past few months. But in the intervening period almost 20 banks have had to be helped in one form or another, either by being taken over by the Corporation Bancaria or absorbed by other banks with special Bank of Spain assistance. ...

Altogether, losses to the banking system are estimated to date at around \$500m. As of last year all banks are obliged to contribute to a special deposit guarantee fund on the basis of 1 per 1,000 of their deposits—funds which are equally matched by the Bank of Spain.

Write-downs

The Bank-has made consider able efforts to tighten up on regulation and inspection of the system but still relatively few of the banks have proper international audits accounts. The problems have stemmed largely from bad, incompetent and sometimes fraudulent management, coupled with the difficulties of bad debts in the recession and bad debts in the recession and high interest rates on the interbank market. In 1980 the Big Seven alone were obliged to set aside over \$500m for doubtful debts and portfolio investment write-downs.

This did not prevent last year from being a generally good one for profits. The major banks chalked up profit increases of around 20 per cent on average, well above the inflation rate. This has been primarily thanks to higher interest rates, tax offsets and the prefitability of international operations. With the recession continuing, however, and a new system of freer interest rates. it is doubtful whether such a good performance can be sus-

As of January last com-missions have to be made public, interest rates on sixmonth lending and deposits have been liberalised and there has been an acceleration in the gradual reduction in the peraccepted than the Spanish banks centage of funds the banks are 1-76 commercial banks, 26 in- and are moving rapidly into as though further foreign pur- system remains one of the most instrial and merchant banks commercial banking, taking chases have been ruled out, tightly controlled in Europe.

Everybody has their own way of doing business, and it helps to have local knowledge on

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BMOST K.GOOST

Preparations against the day of EEC membership

PORTUGAL

DIANA SMITH Lisbon Correspondent

ERIODICALLY ortuguese citizen in the upper reduce the rcome tax bracket takes his mildren into the marble hall of ie new headquarters of the anco Espirito Santo E Comerial de Lisbon that towers over te city's main avenue, the venida da Liberdade. "I paid or this," he tells his offspring, so enjoy the view."

The Banco Espirito Santo is ne of Portugal's eight arionalised commercial hanks. ake the others, it was forcibly auled into the public sector in larch 1975 when the ortuguese Communist Party nd their friends on the mili-try extreme left turned the emocratic coup of April 1974 nto a brief but fully fledged evolution.

Oligopoly

It was essential to the revo-ationaries to gain control of he lion's share of the economy. he hanks were the obvious arget 25 through gradual equisitions and diversification n the 1960s they had become olding companies for a powerul oligopoly. When they fell nto the hands of the state, so id 53 per cent of fixed capital ormation.

Six years later the revolution s fading into the mists of nemory, despite shrill com-nunist efforts to drum up proection for their revolutionary conquests." Portugal is comsitted to joining the European conomic Community and the theralisation of the financial ystem that this implies. Assumng that the Community can art out its own internal probems in time, accession should ome by January 1984.

With accession Portugal's loors will open—with judicious rauging of the degree to which ion-discrimination can be ipplied—to competitors for the nationalised banks and for the only three foreign commercial panks that currently enjoy full . Portuguese banks have the operations here: the Bank of lowest profitability per em-lendon and South America, the playee: \$4,712 compared with Iredii Franco-Portuguese and \$15,824 in West Germany,

Mount Everest, the nationalised hanks are there, and will remain. But, unlike that immutable Himalayan peak, their size and texture is destined to alter. The idea of the government of Sr. Francisco Pinto Balsemao,

during whose mandate Portugal will accede to the EEC, is to number nationalised banks. This reduction would be

achieved through mergers, pruning the existing number of perhaps four institutions, in a drive for larger sizes that could cope with greater efficiency through increased mechanisation and elimination of the time and money-wasting over-staffing that was a characteristic before nationalisation, and which worsened thereafter.

Efforts at rationalisation and the changeover to computers have already begun. The standardised computerised cheque is being adopted by the commercial banks, foreign as well as domestic. In some Lisbon branches at least, the speed of processing of straightforward personal withdrawals is improving noticeably. Meanwhile with that half-delightful, half disconcerting Portuguese bent self-deprecation, nationalised banks are reciting a public litany of their draw-

backs. The Banco Pinto e Sotto Mayor has taken the lead. In its recent report on the glaring shortcomings of Portuguese versus EEC banks, the following facts were clearly stated:

• The banks have an excess of staff: an average of 42.2 people per branch, compared with an EEC average of 22. Only Italy rivals Portugal in this overpopulation, with 41.2 staff per branch. Greece, the newest EEC member, has only 23.2, the UK 16.6, and Belgium 11.2.

• To reach average EEC levels, the total income, profits. deposits and number of branches of Portugal's commercial banks need to grow by 102 per cent, 198 per cent. 329 per cent and 190 per cent respectively. In all cases, Portugal lies at the bottom of the EEC league.

the Banco do Brasil. Like \$13,690 in the UK and \$6,768 in underway to update methods

Profitability per agency is stantial progress cannot made until legislation \$367,250 in West Germany, \$223,990 in the UK and \$311,170 in Italy. It is, however, higher than Spain, where profitability per agency is \$89,950. With such bleak figures, it is

not surprising that the Banco Pinto e Sotto Mayor concludes. that without a " metamorphosis of the Portuguese banking system, it will be hard for it to survive when accession comes and there is open competition with EEC partners."

Although the solid taxpayer like the others, omit banks and is sarcastic about the architecinsurance companies from the tural splendours of the new Espirito Santo bank's edifice and the grandiose manner in which his taxes are applied, there is another side to that story which indicates that nationalised banks are sitting back waiting for a wizard to metamorphose them without

their active contribution.

The building which cost
\$23m and was planned long before the revolution by the original owners, the Espirito Santo family, boasts all that is most sophisticated in computer and data techniques and security system. It is a bold . and effort to go modern by the management, most of whom were trained in the days of private banks. After the shocks of 1975, when board decisions had to be shared with unskilled politically-biased representa-tives of workers committees, the management has begun to find its feet and to inject private dynamism into a public institu-

Pride

Further, albeit in a modest way, the Banco Espirito Santo, through its membership in the Libra Bank, has started to share in international syndicated loans whenever possible—a source of required. some pride to its young, internationally-minded managers. Other institutions, like the Banco Portuguese do Atlantico,

which are also striving for an energetic international image. hold annual seminars for Iberia at which Portugal's problems and potential are discussed and correct archaic methods on frankly by Government officials pain of limping into Europe as and bankers alike.

altered and the nationalised institutions discover where they stand. For the fourth time in a year, government proposals have been sent to parliament where the ruling Democratic alliance of Social Democrats Christian Democrats and Monar chists has a 16-seat majority re-defining areas closed or open to private enterprise. Watchdogs

and improve the image, sub-

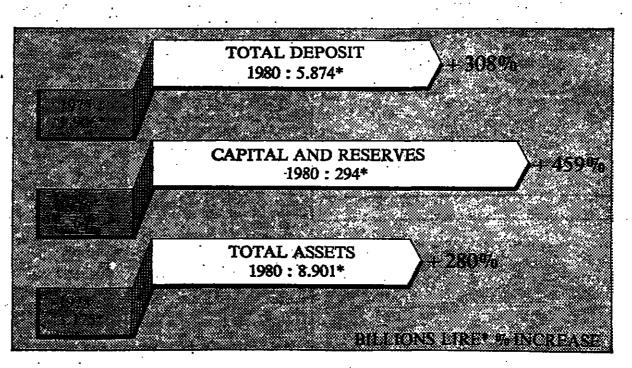
This year's proposals which insurance companies from the sectors off-limits to private capital may stand chance of getting through. Parliament has agreed an urgent debate on them although "urgent" could be some could be some months since there is a les hostile relationship between the Balsemao administration and those watchdogs of the present constitution, the President of the Republic and the Military Revolutionary Council, there are hopes that this time the legislation may not be vetoed by them.

Once the legislation prevails the way lies clear for restructured nationalised banks and new private Portuguese or foreign banks. How many of the latter could move in is still unclear: the overall market is limited, the stock exchange small and undynamic and there are no currency or commodities markets.

As yet, that is. Plans for them are in an embryonic stage but should emerge soon. Meanmajor international banks have been opening representative offices in the last year, looking to a future where foreign investment and its offshoots will grow and their ser vices will be more actively

Few thoughtful Portuguese deny that, initially, accession to the EEC was seen as a political panacea with little understanding of its drastic economic implications. Today, however illusions have crumbled. The foreign bankers involved in approach of 1984 has generated a pressing need to get moving

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CONSOLIDATED STATEMENT OF CONDITION

•	(In thousands of Dinars)			
Assets	31.12.1979			
Cash and other liquid assets	4,293.908	1,916.426		
Obligatory Reserve and Deposits with the National Bank of Yugoslavia	3,716,951	2,649.029		
Associated Funds Time Deposits and	8.617.794	10,669,820		
Securities	15,113.978	19.723.580		
Short-term Loans	58,917,686	84.127.038		
Long-term Loans Interbank Relations	159.734	76.637		
Interpank Kejations Fixed Assets	1.043.486	1.331.415		
Other Assets	7.154.470	. 15,132.223		
Transactions on behalf and for account	.,			
of legal entities and citizens	37,319.210	- 45 ,2 92 <i>,</i> 709		
TOTAL ASSETS	136,337.217	180,918.877		
Other Banking Transactions	103.452.104	142,094.146		
TOTAL	239,789.321	323,013.023		
	(In thousan	de of Dinars)		
		43 01 0 116147		
Liabilities	31.12.1979	31.12.1980		
Funds	-			
Funds Short-term Associated Funds and	31, 12, 1979	31.12.1980 4.269.969		
Short-term Associated Funds and other Deposits	31.12.1979	31.12.1980		
Liabilities Funds Short-term Associated Funds and other Deposits Long-term Associated Funds	31,12,1979 3,870,017 27,389,954	31.12.1980 4.269.969 35,783.647		
Funds Short-term Associated Funds and other Deposits Long-term Associated Funds and Deposits	31.12.1979 3,870.017 27,389.954 18,401.859	31.12.1980 4.269.969 35,783.647 26,161.022		
Funds Short-term Associated Funds and other Deposits Long-term Associated Funds and Deposits Securities	31.12.1979 3,870.017 27,389.954 18,401.859 760	31.12.1980 4.269.969 35.783.647 26,161.022 761		
Funds Short-term Associated Funds and other Deposits Long-term Associated Funds and Deposits Securities Short-term Borrowings	31.12.1979 3.870.017 27.389.954 18.401.859 760 13,179.440	31.12.1980 4.269.969 35,783.647 26,161.022 761 22,339.653		
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Funds Short-term Associated Funds and other Deposits Long-term Associated Funds a and Deposits Securities Short-term Borrowings Long-term Borrowings Interbank Relations Other Liabilities Transactions on behalf and for account	31.12.1979 3.870.017 27.389.954 18.401.859 760 13,179.440 28.343.378 169.941 7.573.799	31.12.1980 4.269.969 35,783.647 26,161.022 761 22,339.653 41,976.094 15,799 4,947.890		
Funds Short-term Associated Funds and other Deposits Long-term Associated Funds and Deposits Securities Short-term Borrowings Long-term Borrowings Interbank Relations Other Liabilities Transactions on behalf and for account of legal entities and citizens	31.12.1979 3.870.017 27,389.954 18,401.859 760 13,179,440 28,343.378 169,941 7,573.799 37,408.069	31.12.1980 4.269.969 35,783.647 26,161.022 761 22,339,653 41,976.094 15,799 4,947.890 45,424.042		

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BALANCE SHEET AS AT 31 DECEMBER 1980

Total Deposits Net Profit

over 1283 billion Lire Total Loan Portfolio over 902 billion Lire over 8.4 billion Lire Capital and Reserves over 62 billion Lire



Healthy signs for world credit rating

TURKEY

METIN MUNIR

TURKEY HAS begun to reap the benefits of the economic austerity programme launched in January, 1980, and the stability brought about by the military take-over in September,

Inflation has been cut by half to 50 per cent and industrial output is recovering. Exports and workers' remittances have responded well to the new policy re-operation and a record inflow of hard currency is expected from both categories. The current account of the balance of payments is continuing to improve.

first in the process of economic most of it comic recovery which, the Government cover reduction.

YUGOSLAVIA

ANTHONY ROBINSON

East European Correspondent

YUGOSLAVIA'S foreign bor-

rowing strategy has undergone significant changes over the last twelve months as the National

Bank stepped in to co-ordinate what had previously been a rather fragmented approach to

of complex negotiations and ex-

tensive globe trotting came in London just before Christmas when National Bank governor

\$400m "jumbo" Euro-currency

This was the last stage of an

operation which raised around

2bn in total and involved bi-

partners. Also involved were

scale construction projects.

This was achieved and the

Mr. Ksente Bogoev signed a Tito period.

fund raising.

hopes, will be complete in 1985 —if not earlier.

The economic remains difficult, however, and will require perseverence with and periodic modification of the successful stabilisation pro-

Despite the favourable trends Turkey's international credit rating is still very low. The country remains completely off cover by Britain's Export Credit Guarantee Department (ECGD) and is in similar disfavour ris-cvis the agencies of most of its major trading partners. Some countries, like West Germany and France, provide cover for exports to Turkey on a very selective basis.

Estimates

rights (around \$2bn). amounted to 400 per cent of the

olicies of seeking to curb in-

flationary pressures and public sector spending.

EEC to draw up a more favour-

able five year special trade

one which expired some time

hefore. This was all part of a

general mood of support for

Yugoslavia as it faced the post-

Bloody riots in the Albanian speaking province of

accompanied by slower growth,

poorest region is not clear. In

The energy crisis and the shortages

Readjustment

major problems.

basis for further borrowing inflationary effects of financing required to

was also consolidated in Febru- the deficits of inefficient self- commitments.

The culmination of six months agreement than the previous

lateral negotiations with Yugo Kosovo and a painful process slavia's major European trade of economic readjustment

Japanese and American banks and high inflation, have faced and OPEC countries, especially post-Tito Yugoslavia with two

those like Iraq, Kuwait and major problems.

Libya—which are major oil The degree of linkage suppliers—and where Yugoslav between economic retrenchment

enterprises are involved in large and unrest in Yugoslavia's

One aim of last year's globe general terms Yugoslav authoritrotting was to obtain forward ties have always argued the

ary when the IMF granted a managing enterprises, many

In addition to financial assist-

The central bank estimates that total credit lines available to Turkish commercial hanks Barring unforeseen setbacks through their correspondents this year is likely to become the abroad is in the region of \$600m. most of it coming under cash

Reinforcing package of loans

mal economic circumstances, beginning of next year. given the projected import volume of \$9bn for 1981 (\$4.7bn in non-oil imports) credit lines should have been in the region of \$2bn.

The central bank does not appear to be dismayed, however, by the paucity of the existing credit lines. Officials remember that as early as six months ago both the central bank and the commercial banks used to place imports orders on a 100 per cent cash cover basis. Now there are cases when cash cover is zero and the more aggressive and efficient of the banks (Pamuk Bank and Is Bank, to name but a few) average a cash cover of 50 per cent.

Generally speaking there is continuous improvement in this field which indicates more than anything else the restoration of international confidence. A foreign banker has estimated

facility bureaucracies and an onerous living standards, continued into

This created fresh strains on the but export performance was of the economy. The clearest aign of unsatisfactory. Exports to the

euphemistically called a The 41 per cent rise in "stabilisation programme." exports to the Comecon area.

The most visible part of the helpful as it is to the overall

tive measures to contain the Comecon which is disturbing

domestic inflationary effect. Its to the Yugoslav authorities.

effects were rapidly whittled Trade with the Comecon area away by a massive cost-push has virtually doubled over the

1980 payments deficit to just the Comecon countries and has

components development of

ages, and more important, to agriculture, tourism and

1.66bn special drawing national defence budget have the first quarter of this year,

amounted to 440 per cent of the Yugoslav quota and was one of danger was the sharp and under the largest facilities of its kind so far granted. It was accompanied by conditions requiring panied by conditions requiring the largest facilities of seeking to continue with its ties to work out what is countries showed any buoyancy.

programme was the 30 per cent

ance from the IMF. Yugoslavia devaluation of the dinar last carries with it the seeds of a also benefited from the post-Afghanistan willingness of the aged or accompanied by effectively foreign trade towards

inflation which took the annual rate of inflation well beyond 35

per cent, despite the fact that

real incomes are calculated to

have dropped by as much as 10

The June devaluation was fol-

the monetary authorities

lowed by a continuing fall in the dinar on foreign exchanges

sought to restore the competi-

tiveness of Yugoslav exports

and make Yugoslavia attractive

both for foreign tourists and emigree Yugoslavs with their

hard currency deposits in Yugo-

This policy contributed to a

fulfil

The squeeze on imports, and facturing.

substantial reduction in the

per cent last year.

siav banks.

The improvement in Turkey's economic prospects is also re-flected by the decision of four foreign banks to open branches in the country. These are American Express, Bank of Credit and Commerce Inter-national (BCCI), Citibank and Bank Mellat of Iran. All four should become operational at least in one city (Istanbul) by the end of the year. Their number is expected to more than double by the end of 1982.

Abroad

Banks have started coming to Turkey under the Government's new foreign investment guide-lines, which have dramatically improved the environment for foreign investors. Fields like banking, mining and agriculture, which were previously closed to foreign investors, have that if the present favourable been opened. In addition a full

balance of payments position,

past two years while trade with

The inability to export effectively to the West, despite considerable political goodwill and a special five year agree-

ment with the Common Market

is one of the main reasons why

Engoslavia has a continuing

need for Western credits. Total

outstanding gross debt amounts

to around \$17bn, considerably

higher on a per capita basis

Despite the current economic problems the Yugoslav economy

is in better shape than most of

well as export orientated manu-

export energy and raw materials as

the West has fallen.

Goodwill

than Poland.

encouraging Turkish banks to ment, go abroad. Akbank, Turkey's Ano second largest private bank, proposes to establish an inter-national banking subsidiary in London later this year. Panukbank, also in the top five, has asked for Government authori-sation to open subsidiaries in Germany. A group of Turkish contractors is negotiating the

purchase of a small Paris-based French bank. There are signs that this trend will accelerate. During the course of the economic recovery it is likely that the structure of foreign banks' relations with Turkey will change and their business will expand. In the pre-1977 period foreign banks dealt mainly with the Government. Since the new policy re-orienta-tion of 1980 their dealings are beginning to be mainly with commercial banks and private

Already new mechanisms are in the making which would enable foreign banks to syndicate low-risk loans to Turkish companies to be employed in financing new investments or

An American bank is con-sidering taking the lead in syn-dicating a \$10m Euroloan for a The central Turkish industry group to be utilised in an industrial expansion project. (Neither wants to be named until the cartesian project.) named until the contract is sealed.) The loan will be re-

the in 1985 In 1977, the year when the trends continued credit lines range of incentives has been paid from the Turkish group's Turkish economy slumped, the would start expanding towards designed to provide financial export earnings, which will constituation credit line was \$1.5bn. In nor-their normal levels by the stimulus to foreign business- stitute a counter-guarantee. The mechanism unique for Turkey, has the blessing of the Govern

Another mechanism, also vir. tually unique for Turkey, is export pre-financing which again foresees repayment

through export proceeds.

Shortage

Bank interest rates were freed in July 1980, leading to a significant increase in longer term deposits. Deposits of one year or more maturity carry 50 per cent interest. The cost of short-term loans has risen sharply to reach about 70 per cent net per annum. This has increased the already acute money shortage, which is affecting virtually all businesses, small and big, privately or applies owned. publicly owned.

The tax reforms, however, are yielding higher revenue receipts, allowing the central bank more room to divert funds from meeting the budget deficit to meeting the credit needs of the private sector. The extent to which revenue receipts will increase will begin to become clear by June and it is during this month that more credit lines may be opened to the

to exporters and transport

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Poland marks a watershed

needs from 1981/83 and to ensure a smooth repayment manageable proportions and export at virtually any price the new five year plan is to bunching of maturities.

Sometiments for num over \$250. But the squeeze on considerable potential for imports and the exhortation to provement. The strategy for strength of the new five year plan is to bunching of maturities.

COMECON

ANTHONY ROBINSON

Europe looked a very good idea in the 1970s—it looks a lot less attractive to many Western bankers now. Events in Poland have had a salutary effect, al-though Poland is an extreme case and banks are still willing to continue lending to other East European countries like Hungary or East Germany, whose economies are much better managed, or to Czechosovakia whose debt ratio is so much lower.

According to the latest fig-ures issued by the Bank for International Settlements Western bank lending to to \$58.1bn in the 12 months ending September 1980. East bloc, mainly Soviet, deposits with Western banks also rose slightly from \$12.6bn to \$13.5bn. These are really the last figures to incorporate legding arranged before the Polish crisis which, whatever happens in future, is likely to be seen as a watershed in fin-ancial as well as in other forms of relationships with Eastern

There is little doubt that the ancing is likely to increase rather than decrease over time, particularly if East Europe's projected hard currency oil and energy requirements are included in the overall pic-

East European bottowers are increasingly expected to turn to Arab banks directly for this kind of financing, but they are under pressure to reduce their trade deficits and step up their hard currency exports—with mixed success. Hungary, whose own borrowing — while relatively heavy—has been well managed and directed exclusively to export-generating investment projects, has managed to turn its hard currency trade round into a surplus: Bulgaria has done likewise. The Soviet Union too has moved into trade surplus, thanks mainly to imraw material exports. Others, sion by commercial banks to like Poland, Romania and re-schedule what remains of the

Apart from trying to step up hard currency exports there co-operation. It is signifinow being forced by oil short- not only patience but also the ages and its own economic provision of at least \$10bn in Comecon. The Soviet Union, Czechoslovakia and East Ger-many meanwhile are trying of minimising the side-effects on their own economies of the

Honour

Over the first quarter of this year the Soviet Union and other Comecon countries are believed to have helped Poland with finance and goods to the value of around \$2bn. Only Soviet willingness to bail Poland out with hard currency enabled Poland to honour its commitments to Western banks over the first quarter. At that point the Soviet Union then said enough" and so tripped off the effective default situation.

This action concentrated creditors' mind wonderfully and led to the first-stage agreement between Poland and 15 governmental creditors in Paris on April 26. This only covers \$2.6bn, or 90 per cent of expected before June at the

also appears to be a trend Whatever the outcome, towards re-examining prospects Western banks and govern-for greater inter-Comecon trade ments, and Poland's Comecon allies, are all locked into what cant in this respect that can only be a very-long-drawn-Romania, hitherto the most out and expensive re-schedulreluctant Comecon member, is ling operation. This will require difficulties to move closer to fresh financing over the next five years—and probably a great deal more. The fact that bankers and other creditors allowed them-

selves to get into this situation is in many ways a reflection of the essential ambiguity and lack of clarity which have charac-terised East-West financial as well as political relations over the decade of so-called detente. In retrospect it can be seen that the increase in East-West trade and accompanying finance in the 1970s stemmed largely from the Soviet decision to intervene militarily to crush the Czech reform movement in 1968. The tanks not only crushed political reform; they also put paid to the demands for economic reforms which were then being voiced not only in Czechoslovakia but also in the Soviet Union and other

The economic rationale behind the limited opening to the West in the 1970s was that Western technology would be imported in order to substitute Poland's outstanding govern- for economic reform. The hope

THE DEBT BURDEN

Debt service Gross debt Net debt as percent of as percent as per cent of total revenue total revenue of GNP 1979 1972 , 1979 in 1979 198 46 95 140 87 99 195 112 223 239 333 130 64 Czechoslovakla ... 4.0 9.5 East Germany ... Hungary Source: US National Foreign Assessment Centre.

proved terms of trade and ment debt this year. At the was that grafting modern tech-higher prices for its energy and time of writing a similar deci-nology on to the existing un-reformed structure would guarantee peaceful nights for the col-Czechoslovakia, have been less \$3.1bn due for repayment this lective leaderships of Eastern successful. \$3.1bn due for repayment this lective leaderships of Eastern year was still pending and not Europe plus a modicum of economic progress and higher living standards. It was hoped that the process would be largely self-financing in that the combination of labour and imported technology would create products which would be saleable on Western markets in quantities sufficient to repay the original

> This aspect of the equation has manifestly come unstuck, particularly in the case of Poland, which has emerged from a decade of frantic investment and Western borrowing to find itself saddled with its underlying structural weaknesses intact, with badly digested technology and half completed plants—plus over \$24bn of foreign debt.

Modern

Poland is the extreme case and it would be wrong, as well as ungenerous, to say that all been wrong or badly executed. Poland is a much more modern country now than it was a decade ago; Western technology has helped to modernise key sectors in Poland and throughout the bloc. The grafting of technology, in lieu of more radical reforms of the political and economic structures, has not solved East Europe's problems but has instead increased the degree of East-West interdependence.

Eastern Europe is now hooked into Western technology and markets much more extensively than a decade ago. Logically such a situation should have called forth a similar improvement in the political relations between East and West the expectation upon which original Western thinking about detente was largely based.

This has not happened. But the absence of, and need for, a more clearly defined framework for East-West co-operation in the financial as well as other spheres has been shown up clearly during the setting up of the Polish rescue operation.

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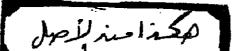
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How some universities could go bankrupt

university goes bankrupt?" chairman of Parliament's Public University Grants Committee. Accounts Committee, most of his audience shuddered. Their well placed as anyone to sayawe was perhaps less than what would happen if a univerwould have been provoked, just sity went bankrups. When before Henry VIII set about asked the question, however, all

power to shock, now that autocracy has given way to democracy and bureaucracy. many people, nevertheless, the notion of shutting a university still stinks of heresy.

But the witness to whom Mr. Barnett put his question could not, even in the same diluted way, be compared with Thomas Cromwell who was King Henry's

No test case about the effect of closing UK universities

chief agent in the monasteries affair. The witness was D-The witness was Dr. Edward Parkes, chairman of the University Grants Committee, which decides how public funds should be distributed among the individual universities. And although he clearly accepts the Government's decision to prune back the UK's higher educa-tional complex now costing about £2bn a year, universities

of the 500,000 students whose ersonal grants for studying full-time at degree level cost around £550m, nearly 200,000 are in polytechnics and colleges. The £400m-plus running costs of these institutions are directly met by local education authorities. The other 300,000 students and £1bn yearly running costs are in the 44 campus universitheir courses. These—unlike the Open

Civil service

ence whether it is provided by the private or the public sector.

records productive, for example,

and the provision of public welfare services unproductive? I

suppose if we are to be governed on the basis of the ideas of the

19th Century Whigs we should

The only valid

and R. Couldrey who wrote (May 2): "... the only valid comparison is belween people of the same responsibility level doing the same job and taking

into account all aspects of their

having first been made by the Priestley Commission over 25

years ago when it reported:

the primary principle for the

determination of Civil Service

pay will be fair comparisons

with the current remuneration-

of outside staffs employed on

broadly comparable work taking

into account differences in other

further stated: "Fair com-

parison looks after the ordinary citizen's interest as a taxpayer.

in the long run, obtain an efficient service by paying less."

Regarding the Civil Servants'

The Commission's report

conditions of service."

This point is not a new one,

employment conditions."

comparison

From Mr. T. Donnelly

and the Physiocrats.

L. G. Brookes. 16, Ipswich Road.

pay

courses and is funded directly When the question was asked by central Government—are recently by Mr. Joel Barnett, financed through Dr. Parkes's financed through Dr. Parkes's He is, therefore, at least as

dismantling . the religious he would say was that he could establishment in 1536, by the not even attempt to answer it.
onestion: What happens when The reason for this ignorance is dissolved? is the lack of any test case to Iconoclastic ideas have less show the effect of closing UK universities. They have ex-panded consistently since well before the monasteries were. dissolved. Certainly, there have been alarms. A typical one came in 1974 when two general elections disrupted the financing procedures and several unidentified institutions were reported almost insolvent. But the then newly re-elected Labour Government averted the

> to university funds.
>
> By contrast with such threats, education is deliberate. The Conservative Government has declared that studies must decrease. One stated reason is the policy of making spending. The cutting public spending. The other is the impending decline in the 18-year-old population be just over 8 per cent. Asked privately, however, both sides from whom universities draw more than five sixths, and poly-British students. From a peak mum cut of 11 per cent estion 940,000 next year the total mated by Dr. Parkes to the of 18-year-olds will fall con-Public Accounts Committee. stantly to only 620,000 in 1996, The Budget accordingly ordained cuts in funds for

higher education in each year to 1983-84. Simultaneously, the institutions will lose income from overseas students. Applidecreased sharply since tuition fees for most foreigners were recently doubted, or worse, to cover the full average cost of



The clock tower of Trinity College, Cambridge

The Committee of Vice-Chancel- ment relaxed either the purselors and Principals, represent- strings or its timing of the the chief administrators of economies. If a smaller university sector were to continue the individual universities, says they will be up to 15 per cent worse off in 1983-84. The Government publicly maintains adequate range of subjects, the pruning could no longer be left to the random erosions of "natural wastage," especially that the reduction in income will

among academic staff. would probably agree that the Retention of balanced staff most likely figure is the miniwould require reductions to be planned and staff surplus to planned requirements to be made redundant, willy-nilly. So This, he added, could be absorbed without the disaster already being lamented by the about 3,000 of the country's modern equivalents of the monasteries inhabitants and academics, of whom 80 per cent were evidently legally entitled adherents. There was no need to hold their job until retirement age: Only the courts could for closure of whole institutions, determine appropriate compen-sation, but Dr. Parkes believed but only for shutting departments and colleges within them. Nor need there be a decline in the collective contribution to: economy through services £80.000;

their courses.

to industry.

Either the Government should servants. Their own jobThe combined effect on uniBut an orderly retreat would cover this liability with an extra security would inevitably be
versities' finances is disputed, be impossible unless the Govern£100m to £200m over the next weakened by the same device.

THE 10 BIGGEST UNIVERSITIES

1979 (Ranked in order of student numbers)

it ja tia sati ji Lati ji	Full-time Students*	Full-time -Staff	income†	Current expenditure fm
London	39,892	7,764	214.4	221
Oxford	11,829 1,926 4		41.2	41.8
Cambridge	11,337	1,196	37.3	.37.6
Manchester	11,102	1,666	40.4	40.4
Leeds	10,720	1,391	32.1	372.8
Glasgow	9,727	1,491	32.6	35.5
Edinburgh	9,542	. 1,552	38 .	38.2
Birmingham	8,929	1,498	31.7	32.6
Sheffield	7,724	1,039	23.7	24.7
Newcastle	7,712	1,127	25.5	75.2
				

three years, or it should slow down the decrease in university funding Otherwise, we would almost certainly soon have some selves, even though their comhappened when a university went bankrupt, and losses in the qaulity of service provided by those which survived.

The Government, however, seems unmoved. It has ruled relatively cheaper remedy of legislating away the job tenure of the majority of dons who enjoy it not by perit would be necessary to provide sonal contract, but by imputa- short of manipulating the vari-redundancy compensation to tion from their university's ous and devious factions among statutes. To try this would compromise the Tories stance against retrospective legislaagainst retrospective region by It seems all too possible tion, and court rejection by It seems all too possible the House of Lords even if long before resolving how to save enough, some institutions aims of bankrupt. individual payments could tenure in future, at least when range between £40,000 and not negotiated individually. would be opposed by civil

tutions are therefore apparpetence to do so is dubious. Their machinery of governance-one would be insensitive grinds small, and so exceeding

The higher educational insti-

The tions which were quickest to see-the need for planned slimming are still, at least months after publishing the plans, well ous and devious factions among their staff into majority agreement on a programme which squares with financial realities. could simply go bankrupt. For the Government to stand

looks like brinkmanship. And no doubt feel that the arrival of tant to bruise their own institu-

insolvency would be enough to committee could well fail the squeeze forth concessions on the acid test of directing a sensible

This expectation is scarcely sector. reliable. Insolvency would seem

But behind the Ministers' polytechnic or college activities public inaction, senior officials are embroiled with the University Grants Committee in discussions about avoiding disorderly rout by another means. It is said that universities collectively have about £75m of reserves in bank accounts. They can also hardly have spent all continuing to stagger onward, of their grant of about £70m for furniture and equipment. Government thinks that while much of these combined sums may have been earmarked ment could

deferred. they did, enough money might this way.

are hard enough for these to be

time for a retreat in good order. promise. Individual universities slower process of a Royal Comare not famous for their mission. altruism towards others of their kind. Moreover, the time-buying device would also depend, as would any central plan for the rationalisation of the university sector as a whole, leave the UK with more on sufficient agreement among universities, polytechnics and the committee's own members, colleges than the dissolution left some people whose living is Since most of them are monasteries, the quality of the provided by higher education academics and naturally reluctive remainder stands to be severely

model of those extracted by the withdrawal. Even so, there is at UK coal, car and computer least the chance of a satisfactory outcome in the university

The same, alas, cannot be liable to bring universities long said for the polytechnics and insistence on their independ-colleges. Responsibility for ence home to roost. Education distributing funds to these is Ministers may well feel that one diffused among about 90 or two bankruptcies might save different local authorities, far the Government money as well more likely to shred than to as serving like the execution sign a proposal of concerted of Admiral Byng in 1757, to action. The lack of co-ordination could result in some

> Political cost of affronting local authorities

while similar, distinctly superior work in universities was being

Such an unhappy developfor various projects, the times swift legislation to create a central body with the necessary Parkes' committee is level work in the polytechnics being urged to try persuading and colleges throughout the the universities which are rich country. But Ministers seem reserves and equipment reluctant to risk the political grant to share this wealth with cost of affronting the prized their poorer counterparts. If autonomy of local councils in be released to provide an extra courage is not forthcoming, the \$20m to £30m a year to buy only other means which might procure an orderly retreat by The committee will be hard higher education as a whole ressed to achieve this com- would seem to be the inevitably

Unless the Government takes some step to surmount the organisational gap, however, the danger seems plain. Although the policy of

GENERAL Letters to the Editor

stated: "Fair comparison is Thus the income which his share surrounding established also in our view fair to the of the pension fund earns panies. individual Civil Servant. Since between his departure and his Therefore any success is to the Government of the From Mr. L. Brookes moment, which is liable to Sir,—Mr. Kendall (April 30) change overnight, and since his must be getting thoroughly ultimate loyalty is to the public, confused by now. Some people which casts a jealous eye on public expenditure, he is certainly inhibits the free move-entitled to some guarantee that ment of employees between are telling him to broaden his public row them. What they all have his just deserts will not be firms especially of experienced in common is the desire to hog- sacrificed to political expeditie him so that he is forced to ency or to uninformed Press produce the answer they want. roduce the answer they want. or public criticism. We think Trofts, Byworth, This is all good entertain that the principle of fair Petworth, Sussex. ment if entirely unproductive. comparison affords such a

Mr. Goode (May 17) however, guarantee." The comparison of Civil. spoiled his turn by repeating the dreary old fallacy that the Service pay with that of "out-private sector produces the side staffs employed on broadly comparable work taking sector. The national output is account the differences made up of many different other conditions of service." is goods and services some pro- precisely the task of the civil duced by the private sector service pay research unit and some by the public sector. All one wonders why the Govern-the activities of the public sector, found it necessary to the activities of the public sector must have been demanded suppress its latest findings. If the current pay claim of the Council of Civil Service Unions by society-through Parliament -at some time or they would is unjustified these findings will never have been started. illustrate this. If on the other Attempts to curtail them inevithand the Government's offer of ably give rise to outcry by some or other section of the com-7 per cent is too low this would

munity. Wealth is created when explain the suppression. Until such time as the Governsomething that is wanted is ment, and ultimately the taxprovided and it makes no differpayer, is prepared to treat me fairly over my pay I will remain Your increasingly dis-obedient How do people like Mr. Goode (there are many of them) categorise productive and unproductive activity? Is the manufacture of cacophonic pop servant.

T. J. Donnelly. 1 Vimy Drive, Wymondham, Norfolk.

Earnings

From Mr. R. Wilson
Sir.—Mr. Couldrey (May 2)
makes the ludicrous assertion.
that the civil service is deternot be too surprised if some people should want to go fur-ther back—to the Mercantilists mined "to thwart private sector efforts to lift the country out of the recession." He should be in my position, as a scientist, working (incidentally) in the productive part of the civil

service. Since April, 1975 (yes, 1975) my salary has risen by 66 per cent compared with a rise of over 130 per cent in national average earnings during the same period. How many people can honestly say the same thing? If it happened to them, would they really be prepared to accept a 7 per cent rise? The civil service dispute and

Str.—I have read with interest the correspondence sparked off by Mr. Pogmore's letter of April 28, and would like to take up a point made by both W. A. Goode (May 7) the associated loss of morale will have an increasingly detrimental and ultimately permanent effect on our economy. The media could do a valuable job by showing both sides of the dispute and persuading the Government to publish the pay record unit's comparability figures, so that the people, in cluding civil servants and Parliament, can judge the case. on its merits.

> 11, Rayal Arenue, Frozen

R. Wilson.

If the Government which repre- From Mr. R. Grant sents him pays what other responsible employers pay for comparable work the citizen asked "what does it cost the

cannot reasonably complain employer. new "entrepreneutial" busi-that he is being exploited. It is equally valid to ask what ness. Equally we consider that he it costs the employee, Many Unless the councils who con-would agree that he could not, pension funds freeze the pencannot reasonably complain employer?" point of view the commission until his normal retirement date. already freely available from 3, Marysgate, Brewood, Stafford.

the Civil Servants' first loyalty normal retirement date is kept "stolen" by the trustees to give to his colleagues who stay on. Is this fair?

Controls on umports

that he does not read what I write, only what is reported of my work in newspapers.

scheme for controlling the may be unique and could be exgrowth of imports of manufactory ported. Whereas, the service tured goods (tariffs, quotas or and distributive industries any other device) provided certain conditions are fulfilled, as there is no reason why they should be given farourable controlled. most important of theseconditions is that any such scheme is used not to improve our balance of payments but to Alan C. Hollway, increase domestic output and employment. In other words, any such scheme must be combined with a general fiscal and monetary stance such that domestic output (and employment) are raised so much that imports as a whole are not lower than they otherwise would have been. If this condition is fulfilled the rest of the world, taken as a whole, would not suffer at all and might well benefit.

import growth controls were non-discriminatory they should be acceptable to our trading partners and would not the det insulate relatively inefficient I am. British firms from foreign competition.

My proposal that import conitself a very specific proposal which Mr. O'Brien is not entitled to classify as a generality."

(Professor) Wynne Godley,

Department of Applied ... University of Cambridge, Sidgwick Avenue,

Enterprise zones

From Mr. A. Hollway,
Sir-There must be many companies like ourselves, who find they have competitors who are lucky to suddenly discover they are now in one of the "free enterprise zones" and will benefit from not having to pay local rates for the next

This subsidised competition, from some old established companies, is not only unfair, but is surely not what was intended from these "zones" as the intention of the Act was to generate new "entrepreneurial" busi-

sion of a departing worker at use to utterly new enterprises, the date of his leaving even there is no service that these though no payment is to be made "zones" will provide that isn't

Therefore any success the "zones" achieve will be at the expense of the surrounding established companies and in difficult times will only lead It certainly reduces the cost of to further company closures pensions to employers but also and rising unemployment to the same extent that the "zones hope to gain in employment but with the added danger of additional deprivation in the

> If the Government's reason ing is that too many cost factors phis bureaucracy and red tape are inhibiting the panies, it is equally necessary to remove these restrictions on existing companies.

adjacent inner city centres.

If the "zones" are here to stay, we suggest a distinction Sir,—Mr. O'Brien (May 6) should be made between manufeels it is time I explained facturing industries as one exactly what I mean by import category and service and controls, from which I infer distributive industries as another. It is not unreasonable that manufacturers should re y work in newspapers. ceive the full benefits from As I have made clear in work being sited in a "zone," as they already published I support any are producing something which should be given favourable con-cessions at the expense of

W. F. Hollway and Bro., 42 Grafton Street, Liverpool.

Local authority financing

From Mr. W. Bridge Sir,—Mr. Franklin (May 6) takes me to task for my reply to his first letter. I am obliged for the details of Lambeth finances and I readily concede that he is better informed on the detail of that borough than I was attempting to refute

two allegations which I understood him to make. First, there trols should be non-selective is can be no argument that the itself a very specific proposal business community derives considerable benefit from a number of services which are operated by local authorities. Secondly, to draw a distinction between funding 60 per cent of the authority's expenditure and providing 60 per cent of its rate income. Regrettably I fell into the same trap and the figures quoted of 18 per cent or 3.1 per cent (district) and 10.4 per cent or 16 per cent (county) refer to total expenditure. The equivalent figures for the proportion of the rate financed by the business sector are 20.5 per cent or 34.9 per cent (district) and 29.5 per cent or 45.3 per cent (county) respectively.

I am greatly concerned toat if the happenings in a handful of authorities are seen as a reason to demolish the local government structure, including its financial structure, continue the drift of power from local to central government which has been so much in evidence over the past few years, and, in effect, make the town hall a mere outpost of Whitehall, we shall be in grave danger of throwing out the bahy with the bath water, and the latter state will be considerably worse than W. G. Bridge.

.UK: Herr Helmut Schmidt.

West German Chancellor, starts two-day meeting with Mrs. Margaret Thatcher, Chequers. Mr. Kenneth Baker, Industry Minister, and Sir Kenneth Standard Telephones and Cables chairman, speak at Financial Times two-day conference on world electronics, Grosvenor House, W.1. Mr. Thomas R. Wilcox, ence on world

Crocker National Corp. chair man, speaks on "Xenophobia may be dangerous to your economy's health' at British American Chamber of Commerce lunch, Savoy Hotel, WC2. First night of Andrew Lloyd Banks data proc Webber's "Cats," New London one-day stoppage.

Today's Events

Theatre, Drury Lane. International opens, National Film Theatre ence opens, Porthcawl (to May Society of Civil and Public Servants annual conference opens, Blackpool,

Civil and Public Services Association conferences debates national stoppage, Brighton. Electrical, Electronic, Telecommunications and Plumbing Union conference opens, Blackpool (to May 15).

Banking, Insurance and Finance Union calls out Midland

South Wales area National Video Week Union of Mineworkers confer-Oyez two-day conference opens

on certification and safety of

installations, Lancaster Hotel, London. Overseas: European Central Bankers begin two-day meeting, EEC Finance Ministers meet,

EEC Agriculture Council starts two-day meeting in Brussels. Council of Europe Assembly votes on whether to expel the Turkish delegation, Brussels.

PARLIAMENTARY BUSINESS House of Commons: Finance Bill, committee stage, Local Loans (Increase of Limit) Order. House of Lords: Forestry, Bill, committee stage.

OFFICIAL STATISTICS March final figures for retail sales. Hire purchase and other instalment credit business for Wholesale price index March. (April—provisional). societies monthly societies monthly for April Central Building figures Government transactions (including borrowing requirement) for April

COMPANY MEETINGS See Financial Diary, on Page



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Higsons edges

Brewery rose from £613,147 to £836,333 for the half year to March 27, 1981, on turnover of £12.42m, compared with £11.22m.

After much lower tax of £87,000 (£240,000) earnings per 25p share were up from 3.68p to 5.42p. The net interim dividend is un-changed at 0.4p—the previous total was 3.2p, which included a 0.25p bonus, on pre-tax profits of £1.59m.

RICHARDS &

WALLINGTON -----Mr. William Roy Richards who has resigned as chairman and chief executive of Richards and Wallington, the troubled plant hire group, has sold 795,285 shares in the company. At Friday's price of 22p this 5.7 per cent stake is valued at £174,900.

Last month the group announced a loss of £7.37m with unsecured bank borrowings rising to £26.1m. It was announced that bank support R. and J. Pullman, the textile will be continued subject to the and garment manufacturer and group implementing "an appro-priate programme of reduction in borrowings and trading in a manner satisfactory to bankers."

MIDLAND BANK

Midland Bank is planning to open branches in Athens and Piraeus towards the end of this year, following approval from the Greek Currency Committee. Midland is the first foreign Midland is the first foreign Sportswear and N. Miller and bank to announce a branch open- Sons (Sportswear) at the date ing since Greece's accession to of the exchange of contracts the EEC on January 1 this year. were about £385,000.

Anthorised

26th May, 1981 from:

Barchays Merchant Bank Limited,

15-16 Gracechurch Street,

London EC3V OBA - .

Siem set to control Common Bros. Rembrandts NEWCASTLE-BASED shipping group, Common Brothers has

entered a series of business arrangements with Siem Group. an offshore drilling company and ship operator, which could lead to Siem acquiring a 58.8 per cent stake in Common Brothers. Under the proposed deals Common Brothers say negotiations are at an advanced stage for the acquisition of an 80 per cent stake in a drill ship and a 35 per cent holding in a lique-fied petroleum gas tanker from

Given consent of shareholders -and-elieration of its articles of association, Common Brothers proposes to fund the purchase parily by borrowings and parily through the issue of 3m of its representing 49.9 per cent of the enlarged issued capital. The Siem Group, founded in 1978, has been involved both in

offshore drilling through the

Pullman buys sports group

retailer, has exchanged contracts to acquire the capital of Saveena Sportswear and N. Miller and Sous (Sportswear).

The consideration is £510,000 cash, equivalent to the net assets, payable on completion. There is a further considera-tion payable by October 31, 1985, based upon a percentage of profits earned to that date.

Cash balances of Saveena

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

BUSINESS COMPUTERS (SYSTEMS) PLC

(Incorporated in England under the Companies Acts, 1948 to 1980)

Number 887467

SHARE CAPITAL

1,000,000 in 10,000,000 Ordinary Shares of 10p each 586,666-20

In connection with a placing by Barclays Merchant Bank Limited of 1,466,662 Ordinary Shares of 10p each at 85p per share, application has been made to the Council of The Stock Exchange for the grant of permission for the whole of the issued share capital of Business Computers (Systems) PLC to be dealt in the Unlisted Securities Market.

It is emphasised that no application has been made for these securities to be admitted

to official listing. Particulars relating to the Company are available in the Extel Sta-

tistical Services and copies of the prospectus may be obtained during normal business homs on any week day (Bank Holidays and Saturdays excepted) up to and including

Operators" and in companies owning and managing ships in the UK and Norway. Its chairman is a Norwegian-born interpational businessman Mr.

national businessman, Mr. Kristian Siem. Siem has entered into option arrangements with two of the major shareholders of Common Brothers, The British and Com-monwealth Shipping Company and Electra Investment Trust. which, when exercised, would total of 3,53m shares, or 58.8 increase Siem's holding to a per cent of the enlarged capital of Common Brothers. British and Commonwealth and Electra Investment Trust currently hold 33.8 per cent and nearly 14 per cent respectively of the equity. Cluff Oil has also agreed an option arrangement with these shareholders to take an aggregate of 5 per cent of Common's enlarged capital. Cluff

Laidlaw down but hopeful

Taxable profits of James A. Laidlaw (Holdings), the Ford motor distributor, fell from £970,220 to £545,702 for 1980 on turnover up from £38.4m to £43.9m. Attributable profit was down from £749,144 to £565,757. Mr. T. M. Robertson, chairman, says that in the first four months of this year operating profits are slightly up on the same period of 1980. He expects this year's profits to be no less than last year's with good prospects for real growth in

Laidlaw is a privately owned company in which Noble Grossart Investments has a significant interest.

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. London EC2R 7AN

on completion of the drill ship of 5p per share in respect of the and tanker acquisitions and year which ends in August, would leave British and Commonwealth with a residual stake of £290,000 for the first eight of 7.9 per cent of the increased months of the period. This does not include a deficit of around for the increased of £200,000 for the first eight months of the period. Common Brothers equity.

Shares in Common Brothers were suspended at 310p last week at the company's request pending the announcement of the planned deal. A circular will be sent to shareholders when the details have been com-pleted and at that point a request will be made to lift the temporary suspension.
Approval of the Takeover

Panel has also been sought to waive Siem's obligation to bid so the balance of Common shares and it is understood that this will be granted subject to shareholders' consent to the Siem deal.

will pay cash and issue shares acquisition. as consideration. These options are exercisable an unchanged interim dividend fl.3m relating to the Bahama Cruise Line which started operations last November. The board, headed by Mr. J. Com-mon, attributes this loss to start

recession in North America. The results have anyway been affected by soft product tanker rates which rather than improving in Jaouary and February, have deteriorated further.

Scottish European issues reconstruction circular

CIRCULAR detailing the extensive reconstruction of capital into 6m shares of 10p Scottish European Investment each. Company, an £8m investment trust, has been sent to shareholders. The plans involve the unitisation of part of the portfolio, which will remain invested in European shares, and the continuation of the original company, to be renamed Stewart Enterprise Investment Company," which in future will specialise in small, often unquoted companies.

This new-look investment trust will also have a new injection of capital. A conditional agreement has been reached with merchant bankers Lazard Brothers to subscribe or pro-sure subscribers for a further £2.25m of equity capital to enable the company "fully to further its new investment policy." is also intended to issue

Under the proposed reconstruction, assets comprising quoted European Investments and cash, together valued at £5m, will be transferred to Stewart European Fund, a proposed new authorised unit trust investing in Europe. Units in this fund will be allocated to

tion and division of the share

Those assets not transferred into the unit trust, which at April 30 1981 would have had a net asset value of approximately £2.8m and which will include all the company's unquoted investigants will be retrined by ments, will be retained by Stewart Enterprise Investment Company. They will form the basis of an investment trust whose policy will be to specialise in smaller company investment, with particular emphasis on the unquoted sector.

The directors comment, "This new investment policy would involve a higher degree of risk than would be the case with a conventional investment trust and it is important that shareholders should be aware of this

Shareholders, meanwhile, will be able to sell their holding in Stewart Enterprise if they wish, at a price related to the net asset value following the unitisation. Holders of more than 25 per cent of present issued share capital the reconstruction does capital, the reconstruction document says, have irrevocably undertaken not to do so. An extraordinary general meet-

ing of shareholders has been convened for June 1, 1981 to shareholders in proportion to convened for June 1, 1981 to their holding in Scottish European, following the consolidation struction scheme.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shows below are based mainly on last shown below are based mainly on last rear's timetable. TODAY

TODAY
Interims:—Akroyd and Smithers,
Murray Clydesdale Investment Trust,
North Midland Construction.
Finals:—Bishopsgate: Trust, British
Home Stores, British Vending Industries, European Fernies, William Pickles,
St. George's Laundry (Worcaster),
Sears Holdings, Tysons (Contractors),
Young Companies Investment Trust.

PUTURE DATES British Sugar Management A Plaxtons (GB) United Scientifi

East Midland Allied Press Young and Co.'s Brewery †Amended

chief to be quizzed by Rothmans

DR ANTON RUPERT, the secre tive head of the South Africanbased Rembrandts Group will today be quizzed by directors of Rothmans International on why he sold a large stake in the UK tobacco company to Philip Morris of the U.S.

The London board meeting of Rothmans, attended by directors from Canada, West Germany, Switzerland and other countries, will be the first chance they have had to put their views to Dr Rupert personally.

Under the deal announced late last month, Philip Morris is paying \$350m for over a fifth of the Rothmans' shares and for certain Rembrandt trademark rights in North and South America.

Sir David Nicholson, Rothmans non-executive chairman, said yesterday that the Rothmans directors hope for "a full per-sonal briefing" from Dr Rupert. "I feel very strongly that the Rothmans International board has got to be central to future policy making."

Dr Rupert's deal with Philip Morris, which makes the best selling U.S. cigarette brand Marlboro and also owns 7-Up and the Miller brewery, was agreed with-out consulting the Rothmans board, of which Dr Rupert is not

"I would prefer to have been kept more closely in the picture" deal followed talks between Rembrandt and another major U.S. tobacco group, R. J. Reynolds, which has expressed anger at the agreement.

Reynolds had been prepared to make a full bid for Rothmans, in which Rembrandt owns 44 per cent of the shares and controls half of the votes. Philip Morris is buying half of Rembrandts' holding in Rothmans, whose brands include Rothmans King Size and Peter Stuyvesant.

Sir David said Philip Morris which he visited in New York, had emphasised it was a minority investor. The U.S. group is also buying bonds in Rothmans, which can be converted into

But Sir David said he did not think the Philip Morris deal would fall foul of the City's take over panel, which requires a full bid if 30 per cent or more of a company's shares are acquired

Terms (years) - 3 4

by a single holder.

29/5/81

AULT & WIBORG **GROUP**

Salient points from the Statement of the Chairman, Mr. C.F. Strang.

- Despite all the difficulties affecting trade in 1980 the Group's share of many of the markets it serves has
- Group sales totalled £53 million against £47 million in 1979.
- Trading profit was £2.5 million compared with £3.8 million.
- Dividends per stock unit 1.80p (1979-2.30p).

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						P/I	
£000's capitalisatio	п Сопрапу	Last price	Chenne on week	Gross div. (p)	Yield	j Actual	Fully texas
4,168	Airsprung ,	72	_	4.7	65	11.4	15.8
1,275	Armitage and Rhodes	. 51	· · —	1.4	2.7	21.0	44.6
12.098	Bardon Hill	198	+ 4	9.7	4.9	7.4	11.7
7.770	Deborah Services	101	-	5.5	5.4	5.0	9.5
3.862	Frank Horsell	103		6.4	6.2	3.2	5.9
8,235	Frederick Parker	57	+ 2			24.8	_
1,181	George Blair	64	`	3.1	4.8		_
2575	Jackson Group	103	_	6.9	6.7	.3.9	8.0
16.562	James Burrough	120	+ 3	7.5	6.6	9.8	9.8
3,244	Robert Jankins	318	· '	31.3	9.8		
2.640	Struttons "A"	54	' + 2	5.3	9.8	3.9	3.5
		205		15.1	7.4	35	7.9
3,154	Torday	12	+ 05			3.0	7.3
2,564	Twinlock Ord			15.0	22.1	_	,=
1,856	Twinlock 15% ULS		+ 2				
	Unitock Holdings	44	_		.6.8	6.8	10.7
12,653	Waiter Alexander	100	_	5.7	57	5.5	88
5.951	W. S. Yeates	255	_	13.1	5.1	48	9.8

FT Share Service

The following securities have been added to the Share Information Service:— Advance Services Industrials).

Oil and Gas Production (Partly Paid) (Section: Oil and Gas). (British) (Section: Oil and Gas).

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INTEREST % 121 121 13 13 131 131 131

Deposits to and further information from The Chief Cashier, Finance for

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Cheques payable to "Bank of England, a/c FFI" FFI is the holding company for ICFC and FCL.

International Commodity Merchants

Record earnings in 1980

Financial Highlights

	1980 £'000	1979 £000	1978 £000
Profit before taxation	23,061	20,555	22,702
Profit after taxation	21,391	18,109	15,743
Capital employed	84,059	69,998	59,202
Earnings per ordinary stock unit	32.3p	27.0p	23.8p
Dividend per ordinary stock tinit (net)	8.4p	7.0p	4.979p

The Chairman, Mr. T. P. H. Aitken, comments:

The Group profit before tax is a record earnings figure. Whereas it is a good result, it is not a figure with which the Board is fully satisfied, for it is hoping for better things in the years ahead.

Credit must again be given to the U.K. companies, Gill & Duffus Ltd. and Pacol Ltd., but the latter has to be singled out as having had an excellent year with nubber as a major contributor.

During 1980 two companies were formed to trade in areas entirely new to Gill & Duffus. The first of these, Gill & Duffus Securities Inc., was incorporated in New York in November 1980 to trade in U.S. Government debt instruments. This company is part of the Group's increasing interest in the money markets of the world which are a growing sector of international commerce. The second undertaking is G&D Energy Inc., an oil and gas company formed in December 1980 and operating from Houston, Texas.

In conjunction with Brooke Bond Liebig, we acquired on the 1st November 1980, Clarkson Insurance Broking Group. This company is now in the process of being merged with our existing Lloyds broker, Peek Puckle, under the new name of Clarkson Puckle Group. A good start has been made and new markets are being developed.

As to our traditional trading in cocoa, coffee and rubber, the year beginning in January 1981 is proving to be a difficult one. Cocoa is now in the midst of a period of surplus and the market is dull, but we do hope that the lower prices presently prevailing will help our customers to stimulate once again the sale of chocolate and thus help to encourage the producers to continue their plans to grow more cocoa. In coffee the Volume on the terminal markets is down and the

Coffee Agreement is in full effect. The supplies of coffee available to the market are regulated by the International Coffee Organisation and in effect the surplus is in the hands of producers. Consumption is good but, when viewed against the size of the crops developing in Brazil, there is plenty of room for further expansion. In rubber the difficult times for the automobile industry have seen a slackening in demand for tyres but, this notwithstanding, the skill of our traders in dealing with all markets should stand us in good stead. Despite these adverse conditions, the Company's financial strength, together with the ability of our trading teams, gives us reason for confidence as we look ahead.

If you would like a copy of the Annual Report which includes the Chairman's statement in full, please complete the coupon.

at Limbs	& Duffus Group Limited, (Dept. S.), tan's House, ugh High Street, London SEI IHW.
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BY IAN HARGREAVES

Market sizes up the Fed

THE U.S. credit markets ended last week feeling that they now at least understand what the Federal Reserve is up to. Ever last understand what the federal Reserve is up to Ever last understand what the per cent, was out of line by the close on Friday.

The bond yields higher than base inflation "school of thought per cent, was out of line by the close on Friday. Federal Reserve is up to. Ever since the market's disastrous misinterpretation of Fed interin the Federal funds market in the third week of April, analysts have been guessing hard about the scale of the tightening operation the central bank has been involved

Last week's decision to raise the base discount rate from 13 per cent to 14 per cent and from 16 per cent to 18 per cent for larger, frequent horrowers. draining interventions when the 18 per cent, has convinced the market that the Fed at last knows which ledge it wants to sit on for a while. This world of 18 per cent plus overnicht money indicates three-month

Three other good things happened last week: the House passed the Reagan budget cuts. M1-B fell by \$3.6bn and the market, tempted by record yields, zobbled up the three-day Treasury re-funding with a heartier than expected appetite. That is why the bond market started to fight back, in a mild way on Thursday and more positively late on Friday, taking the Treasury 30-year bond auctioned on Thursday to a premium price of 101.

These are the factors emphasised by those Wall Streeters who are talking as if honds have emerged as a major apportunity.

Last week's report of a 0.8 per cent increase in wholesale prices in April also encouraged year. Moody's is talking about and cars), the "you can't have Treasury supply of almost \$18bn, a more strongly and

The possibility that the optimists are right cannot be ruled out, especially if the current levels is, along with a money supply experts on the still houncy economy, forcing Street turn out to be wrong about a rapid growth on M1-B in the next three or four weeks. Another sonthing factor would be an indication—which would be evidenced in fewer interventions by the Fed in the funds market—that the central Fed goal of tracking and controlling the level of bank non-borrowed erves is helng achieved without too many wild swings,

But anyone looking for a sustained rally has to ignore some powerful negatives. The 30-day visible supply of bondsthat is, theoretically the new issue demand on the market— is put by First Boston at almost \$6.5bn. For the rest of the

the position this time last year.

The fact that corporations are shut out of the bond markets at still houncy economy, forcing the pace on bank horrowing. which was up a dangerous looking \$2.1bn in the week just reported.

In short, credit demand pressures remain intense, money supply will probably continue to grow at or above the Fed's upper limit.

Leaving aside the theoretical debate over the relationship between money supply and economic growth, there seems to be nothing which can rein in this demand for credit other than an old-fashioned economic downturn.

The fact is that American business, outside the well-understood crisis sectors (housing is performing ignoring high

BY FRANCIS GHILES

U.S. DOLLARS ††Oester, Kontrbk. §Nippon Kokan Kogyo For all of the Fed's gnashing and thrashing, the economy has still not, with the brief exception last spring of the dip triggered by the Carter credit controls, been subjected to shock and the Administration's programme still does not envisage **TRENFE** the kind of jolt which still seems to many Wall Street minds a prerequisite for break-#18} Fin. Co. NY ing inflationary expectations.

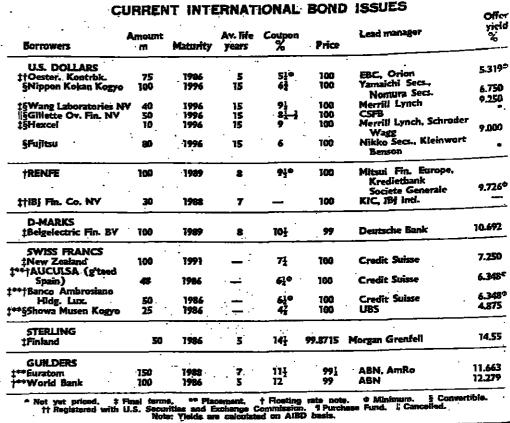
These jolts, of course, have D-MARKS a way of happening when least expected. That is one of the Belgelectric Fin. BV things the market is eagerly sniffing for. The other would SWISS FRANCS sniffing for. The other would be a hint that President Reagan. ‡New Zealand *|AUCULSA (g'teed having won his spending cuts.

be dangerously stit	mulati	ve to
U.S. INTEREST RA	TES (%) Veek to
	May 8	
Fod Funds wkiy aver	18.10	18.19
J-month CD	19.00	. 15 50
1-month Treas, bill	16.30	13.50
Long Trees, bond	13.91	13.65
Long-term AAA Util	16.13	16.13
Long-term AA Indus	15.38	15 00
Source: Salomon Bros.	, eştim	ates.

well might get significantly less

than he wants on tax cuts. which

credit market analysts fear will



INTERNATIONAL BONDS

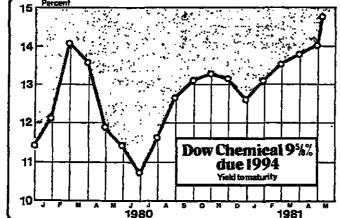
Air of despondency in Europe

interest rates at the beginning of last week-which sent the three-month Eurodollar above 20 per cent on Tuesday— and the resulting weakness of most currencies against the U.S. dollar brought in their wake the usual air of despondency.

Prices of seasoned international bonds fell sharply in very heavy turnover, though much of this appears-particularly in the fixed interest dollar sector-to have been the result of dealers selling short, rather than investors panicking. Yields on seasoned bonds did. however. reach historic highs."

The end of last week brought some relief to bond dealers. with prices at least in the dollar and Swiss franc sectors making up most of their lost ground. New issue managers, however, had little to cheer them.

Much of the gloss has rubbed off the convertible sector, where the issue on offer for Gillette was cancelled because of lack of support, while the amount of two other issues on offer, for Wang Laboratories and Hexcel, market where the heavy diswere cut by \$10m to \$40m and \$2m to \$10m respectively. Furthermore, the indicated coupon on the Wang Labora- U.S. Federal Reserve repear last tories issue was increased from summer's mistake and let U.S. 81.9 per cent to 9; per cent. rates slide down too fast. But Friday at a discount of about ager, Morgan Grenfell



Two new floating rate note issues were announced, for the Spanish State railways. Renfe. and Industrial Bank of Japan. but there was not a single fixed interest issue.

What buying there was at the end of the week, particularly from Switzerland and Londonbased funds, was firmly concentrated at the shorter end of the counts available make bargain hunting worth the trouble.

Few people expect to see the

even bond managers who believe that a tougher stance by the Fed could help reduce inflationary expectations in the

immediate future. D-Mark foreign bond prices DM 100m public bond for Belg1 point from its issue price of

One factor which, apart from the surge of the dollar, is keeping investors away from all but the top-quality D-Mark foreign bonds is the 2 per cent yield gap in favour of domestic

BHF Bank is due to launch a DM 50m issue for a non-prime European industrial name on Tuesday. But in present conditions, determining the coupon could pose difficulties.

Swiss franc bonds were a little less affected by the surge in U.S. interest rates than the D-Mark issues, but new activity is reduced to a few private placements. The SwFr 80m 10week through UBS is expected to offer investors a yield slightly below 71 per cent.

The £50m five-year tender U.S. in the long run, and thus issue for the Republic of Finenable bond markets to rally, land, which offers investors a issue for the Republic of Finhold out little hope for the yield of 14.55 per cent, was less of a success than the previous week's buildog issue for the suffered most last week, losing World Bank. It was hit by the just over one point on average, weakness of the gilt-edged The only issue launched was a market after the rise in U.S. interest rates. Underwriters electric offering a yield of 10.6 were not, however, called upon per cent. The issue dropped to to pick up their full allotment a steep discount on Tuesday, and the issue "squeaked in." to but recovered later to close on use the words of the lead man**CREDITS** Bankers keep their cool on Spain

credit.

Spain seem to have left internarrow geographic confines of national bankers relatively its syndication market to make unruffled. Undaunted by the reappearance of terrorism on the streets of Madrid, the state credit concern. ICO, is pressing ahead with a \$200m, nine-year

As expected, the credit is targeted mainly towards the syndication markets of the lead management group comprising Chase Manhattan Asia, Fuji, Gulf International and Industrial Bank of Japan. As also expected, it has been awarded very fine margins over London interbank rates, starting at } per cent for the first three years and rising to 🗜 per

cent thereafter. This type of margin is at the moment a source of far greater concern to the international banking community than any of the political developments to date. A margin of only 2 per cent simply makes any loan difficult to syndicate among smaller banks, which do not have the benefit of substantial ancil-

THE LATEST disturbances in has already redrawn the rather over U.S. prime, the same as its syndication market to make branches and subsidiaries of U.S. and European banks per cent of the located in the Gulf and the Far in the market. East eligible to participate, a move which makes a virtual nonsense of the idea of tapping

a specific new region for funds. Coupled with the specific interest of Japanese banks in Middle and Far East with a acquiring assets in Spain now that they are able to lend more freely in the Euromarkets, the managers hope this broader syndication base should make the loan at least relatively successful.

If enthusiasm does turn out to be lacking, however, it will be the fault of the pricing rather than any serious slippage in Spain's credit rating, bankers say, though some might feel tempted to use the political situation to try to talk margins back up.

In other developments last week, Mexico's Banca Somex awarded a \$300m eight-year mandate to Morgan Guaranty on the basis of a per cent margin over London inter-As if in response to this, ICO bank offered rate or } per cent

those on the recent \$350m Bancomext credit, whose underwriters were able to sell 90 per cent of their commitments

Some small progress is also reported in Poland's debt re-scheduling talks with international banks. After a meeting of the banks working party assigned the job of drawing up precise rescheduling proposals, a new meeting of the task force of banks handling the discussions with Poland itself has been called for May 20 in

The talks remain very com-plicated, however, and it is by no means clear that the May 20 meeting will be the last task force session before final proposals can be presented to all the 460 banks concerned.

However, one of the important talking points last week conhappen, namely the award of a formal mandate for the \$150m

" imminent " weeks and is expected to carry a flat margin of 3 per cent throughout, making a modest increase in margins that till now have stood at 1-1 per cent.

The delay in formally awarding the mandate is understood to be because of talks on final technical details and unrelated to changes in Argentinian withholding tax regulations that have caused some participant banks to reconsider their posi-tion on the \$107m 10-year aircraft purchase loan mandated by Aerolinas Argentinas just before the government change-

Under the new rules, loans to finance import of capital goods have become exempt from withholding tax while those raised by state and private banks are now subject to the tax.

The Aerolineas credit has thus suddenly been exempted cerned an event that did not from withholding tax, altering the yield to participants who have lost the chance of obtaineight-year credit for Argentina's ing a tax credit from their own highway concern, AUSA. This revenue authorities for notional loan, the first major borrow- payment of Argentine interest ing by Argentina since its new tax that would in any case hav Government took office, has been covered by the borrower.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR	Change on
STRAIGHTS Issued	Bid Offer day week Yield
Am. Air, 15°, 86 (WW) 55	921, 991, +01, -01, 15.56
Amoco 131, 88	914 924 + 14 - 04 15.19
CISC 141, 84 185	974 974 +01, -07 15.65
CNE 124 91 100	861, 87 +05, -17, 15.43
Citicorp O'S Fin. 10 86 300	817, 823, +1 -01, 15.23
Citicorp O/S Fin. 12 87 200	S61, 861, +11, -01, 15.40
Con Illinois O S 9% 86 150	797, 801; +1 -11, 15.62
Dupont Canada 131, 91 65	90 901, +01, -11, 15.46
EEC 11 35 (August). 70	741, 754, +01, -14, 15.49
EIB 123, 29	864 874 +05 -2 15.73
Eldorado 13:4 86 . 50	921, 93 +01, -01, 15.44
Elec. de France 10 88 125	76% 77% +0% -1% 15.53
Elec de France 13 88 125	90'1 90'1 +0'1 - 15.32
Export Dv Cpn 94: 86 150	80% 81% +0% -0% 15.49
Fed. Bs D 12% 85 (N) 50	901, 901, +07, -01, 15.25
Fin Exp. Credit 10년 85 50	844 844 + 14 + 04 15.84
Finland, Rep. of 91-86 100	79% 79% +0% -1 15.84
Ford Credit 0, \$ 14% 83 150	96's 97's +1's +0's 16.07
Ford Cr. O/S Fin 16 84 150	99% 99% +1% +0% 76.08
Gaz de France 13', 86 80	944 944 + 04 - 04 15.16
GMAC 0/S Fin 12 87 100	85% 86% + 1% - 0% 15.59
GMAC 0,15 Fin 12% 88 100	87' 88' +0" - 1' 15.89
Gen Mirs 0/S 114 87 100	844 844 +05, -14 15.73
Genstar 14% 91 . 50	973 973 +03 +03 15.22
GTE Fin 13% Sō (V/W) 50	95 951 + 13 - 04 15.17
Hudson's Bay 111- 90 75	794 804 +14 -14 15.7
IBM Wid Trade 121-88 200	91 924 +04 -07 14.43
Newfoundland 131, 90 60	901, 961, +11, -01, 15.52
Nova Scotia 10% 20 50	777, 781, +11, -11, 15,32
OK8 10 85 50	841, 841, +11, -01, 15.29
Ontario Hydro 131, 91 100	90% 90% +0% -1 15.41
Ouchec Hydro 111- 92 100	77% 78% +0% -2% 15.81
Dunh Hv. 13 91 (V'VV: 100	87% 87% + 1% - 0% 15.56
Rnyel 5k. Canada 14 85 100	967, 967, +11, +41, 15.00
SMCF 12% 85 50	93', 94 +2', +0', 14.53
SNCF 13 91 75	901, 901, +01, -01, 14.87
Sth. California Ed. 14 87 50	95% 95% +0% -0% 15.15 92% 92% +0% -1 15.58
Such Handelshi 13% 33 45	891, 891, +07, -07, 15.82
Swedon 12% 65 150 Swed Fr Credy 12 33 50	92 921, +01, -1 76.03
Swed Ex Credit 12 33 50 Swed Ex Credit 12 86 75	90 901, +01, -01, 16.05
Toronto-Dom, Bk 14 84 50	96 96-2 +0\ +1 15.66
Tribung Q'S Fin. 14 86 50	94% 95% +0% -1 15.54
'Vorld Egn: 95 55 200	834 844 + 11, -01, 15.26
Vorid Sank 101, 87 300	80' 81' +1' -0' 15.23
	n day +1 on week -01
· - and a large distriction	
DEUTSCHE MARK	Change on
STRAIGHTS Issued	Bid Offer day week Yield
Asian Dev Bank 10 91 100	963, 971, +01, +01, 10.54

5 12.12 HeU OI 6 1 37	120				-1.4		
CECA 74 92	150				-04		
CFC4 19 31	120	997	1003	+0%	-2 ¹ 2	9 95	
CII-Hanayerell 32- 96	125	891,	90%	0	~0,5	10 TQ	
Council of Europe 10 91	100	98	991,	0	+0%	10.20	
F/B 81, 90	200				- 21,		
516 101- 91	200				-112		
FOCOM 91, 87	200				-14		
Finiand, Rep. of 10 89 .	100				+07,		
Therquero SA 9 90	100				-24		
ind Bb. Finland 81, 90	50	89%			~04		
Int Am Dy BL 10 91	100				-01,		
Jamas Air Lines 81, 87	100	91			- 17,		
Janen Dev Bank 7% 87	103				-0		
Kohe City of 8 90	100	883			-14		
Midfand Int Fig. 81: 90	180	91			-14		
Nuclehres 9% 88	100				-01.		
OKB F1, 92	150				~ž\$		
Oslo City of 85 90	8n				-0%		
Vonesuela B of 95 30	150	971			-14		
World Bank 8 90	700				-11,		
World Bank 10 86	750				-01-		
Avorage price change		veb no					
Manuale little chand		O., GO,	. • •			•	
SWISS FRANC				Chang	e on		
	ssued	Bid C				'ieid	
Aeroport Paris 67, 31	60				ړی.		
PFCE 6:- 91	100	97%			-0'.		
Raver Int Fin 51, 97	100	†#91,			-03		
Bemen, City of 64 31	40	†92				7.92	
Fishim Terrorade 7 90	40	991,			-01,	7.10	
CECA 6% 91	80	944			-05		1
Denmark 5% 30	80	255	66	+1%	+1%	7.95	1
Come Petroleum 5% 21	100	917,			-13	6 97	
Flet de France 51, 90	מטד	90	901,	Q1,	ŋ	6 70	- 3
Foredigma 5% 🚓	29	*†9X			+0'-		
፣ ĉ ዞ Hvno ቹ⊧ 6 ማ∩	50	917,	917	0	+014		- 1
Freiand Ren of 5% 90	89			+14		7.69	1
Franc. Petrolog 61, 91 .	80				-0°,		i
Genster 7 71	100	qq:,		0	0	7.07	1
IntAmer. Dv Bk 791	100	971	88	-0:-	-0'z	7 21	- 1
		77.4		- 11-1	-0.2	7,31	
Jagan Dev Bank 5% 90	100	917,	92	0	+0%	6,95	Į
Mr. Plent Tunnel 51, 90		917,	92	-07	+0%	6.95 7.58	

Average price chan	inas C	n day	, O on	ANSO	k D		
YEN STRAIGHTS	igaund	Rid	Otter		nge en week		
Australia 5.6 83 .	30		93		−03×		
Australia 61, 38	20				− 6¹4		
EIB 74 29	12	93%	94%		+0%		
Finland 5.6 83	10	92	33	0	− Ç ¹ 4	9.06	
Finland 66 88	10				+04		
Finland, Rep. of 85 87	15	98 .	99"	o	-0i4	8.56	
Average price change	ges . O	n day	0 on	weel	-01		

				Char	нде оп	
OTHER STRAIGHTS	ssued	Bid	Offer	dav	wsek	Yield
Bell Canada 10% 86 CS	50	189	an.	Ö	+65	13.57
	50	†92	93	-01	, – 11,	15 17
CIBC 131, 85 C5				-07	, - 1:2	10.17
CIBC 111, 85 CS	60	188	89	+ 0*	+0%	15.38
Federal Day. 1112 90 CS	60	*f311:			-014	
Fst. Can. Inv 10 84 CS	50	°185	86		ين – ب	
R. Bk. Capada 10 86 CS	40	189	90	+01	-11,	12.97
Tordom Con. 1312 85 CS	30	*1921,	931,	+1	- 17	15.98
M Bk. Dnmk. 9 91 EUA	25	90%			+0.	
SOFTE 81, 89 EUA	40	871			+0%	
U Bk. Nrwv 912 90 EUA	18		977	7 07	1 707	10.01
		974	30,7	TUY	+05	9.88
Ainemene Bk 10% 86 Ft	60	95			-14	
Br Meas & H. 10 85 FI	75	96	96¹,		-0%	
Heinekan NV 10 87 Fl	100	93	93%	-04	-14	11,54
Nat Negrindo, 10 88 Fi	60	91%	924	-04	-27	11.76
Ned Midd Bk 10 85 FI	75	251,	961	-81	-14	11.17
Pierson 10% 85 FI	50	95			-11	
Air France 141, 86 FFr	200					
		981,				14/30
6k America 141, 85 FFr	250	97%			. 0	
Charbinages 13% 85 FFr	400	967,			-1	
EIB 144 88 FFr	300	97%			-01	
La Rodointe 14% 85 FFr	125	95%	963	+0%	+04	15.62
OKB 14 86 FFr .	400	971,			-11	
Salv er Cie 14% 86 FFr	200	102	103		-04	
Swed E. Cr 143 86 FFr	250	974			Õ	
3WEG E. I/I 14-3 60 FFF					ν.	12.32
U. Mex. Sts 14 85 FFr	150	984	9/3	+01	-014	14.93
Acona 14 85 £	20	941,			-1%	
Benchcial 14% 30 E	20	30°			-24	
BNP 131, 31 E .	15	94%			- 174	
CECA 131, 38 E	20	941,	951,	Q	-71,	14.52
Citisnia 0/5 131, 30 E	50	941			-11	
Fin Ex Cred. 134 86 E	15	961,			-1	
Gan Elec Co 121, 89 E	50	921,			-14	
Hiram Walker 14% 56 E	25		20	T 47	-13	14,07
		96',	30.6	- 2:	- 13	13.29
Privathankon 141 ₂ 88 E	12	951,	35,6	+0';	-112	15.59
Rothschild 144 90 E .	12	96%			-1	
Royal Trusico 14 86 E	12	971,			_ 13 ₃	
Swert, Ev. Cr. 134 86 £	20	96%			-04	
Bannbras 81 90 KD	7	190	901,	a	- 11,	9.94
CCCE 84 91 KD	10	182%		Ō	-1 ·	11.03
Sonatrach 812 90 KD	12	193	031.	ō	-14	
Akro 94 37 Lurfr	500	85	931. 86	7	-07	
Euratom 9% 88 LuxFr	500					
Euratom 34 00 LUTE		89%			-02	
Eurolima 101: 87 LuxFr	500	931/2				11.91
EIB 94 38 LuxFr	600	7،06			~@ <u>*</u>	
Volvo 94, 87 LuxFr	500	86is	874	-01,	+03	12.86
FLOATING RATE						
NOTES So	read 1	Bid O	ffer C	dts (C.con	C.vid
Allied Irish Bank 54 87	01	987, 5	181	/7	16%	16.31

EIB 94 38 LuxFr	600	90	P <u>.</u> 9	15 +0	գ ⊸0Վ	11.77
Volvo 94, 87 LuxFr	500	86	· 8	75 – 0	\ +0%	12.86
TO CATHOLOGICA						
FLOATING RATE						
					C.con	
Allied Irish Bank 54 87		987,		2/7		16.81
Bank of Montreal 54 90				18/6		
Bank of Tokyo 514 89					1612	
	Q1 ₄				162	
BNP 51, 83	‡01 ,			29/7		
CNT 51, 86					16.81	
Christiania Bk 51; 91 .	1014			5/8		17.73
Criticorp O/S F. 84	‡ 0	987,	99),	30/5	167	17.02
Citch 57e 87	01	981,	981.	18/9	15.44	15.69
Co-operative Bk 6 86	O.	38,7	987,	15/5	154	15.48
Den Norske Credit 6 90	1014	984	981	5/8	17.31	17.60
Genfinance 54 87	O12	981.	381	30/10	16.94	
Giro und Bank 5% 91 .	102				14.06	
GZB 51: 89					17.31	
ind Bank Japan 51, 87					17.06	
Ind Bank Japan 54 88		98			16.44	
Lloyds Eurofin 8 90 £.			971	3/7	141,	14.97
Lloyds Eurofin 54 92					17%	
LTCB Japan 514 86	0.7				20.19	
Man, Hanny O/S 54 94					17	
Midland Int. Fin. 5% 92					17.19	
	014	97%			16.81	
Nacional Fin. 6% 86.	ů.	981,			17%	
	οú			25/9		
Nat. Bk. Canada 514 86		96%			144	
Nat. West 54 94		97			16.19	
	501 ₄				16.81	
	01,				15.31	
Sparebanken 6 87	0.	99 99	97'6	19/6	19%	27.03
Standard Chart 5% 90	OŽ.	951				
Svenska Hndishk 5 87	01	2001	203	15/7	17.05	17.32
Average price chang						
wastering burge curud		Um 08	A n o	11 WE9	w -04	

1491 44621 24 35 .	30-4	3/4	3/%	237 10	10.0	1 17.2
Pemev 6 91	014	96%	974	3/10	15.3	1 15.8
Pemer 6 91 Sparebanken 6 37	O2.	99	991,	19/6	19	27.0
Standard Chart 54 9	0 Ož.	961	981	3/9	17.00	17.3
Svenska Hndlabk 5 8						17.5
Average price chai						
Propaga priso dia		J., u	-,			•
CONVERTIBLE	Cnv.	Cnv.			Chg.	
BONDS		MACO	B.d	Offer	dav	Prem
Bow Valley Inv. 8 35	4/R1	23 12	98	974	+03.	23.85
Сапол 64 35				142		
Credit Suisse 44 93						
Digicon Fin. 81, 95	10/01	30 E	4441	1151	-01	D 44
Hanson O/S Fin. 91, 9	10101	27.3	011	,12,1	-01	2.21
Ina Overseas 8% 3000						1.15
Inchespe Ltd. 8 35						0.65
			31			
Kotobukiya Co. 7 95						-3.43
Marion Int. Fin. 9 95						32.54
Matsushite El. 71, 95						-3.71
MEPC 84 96	. Z/81	2.47				14.05
Niigata Eng. 74 98						
Nissho-twai Co. 8 96			†75	77	-1	-3.01
Ricoh 65 95			1234	124%	+4	2.89
Sumitama M. Ind. 7 35			120%	1214	∸0 %	2.89 1.32
Swiss Bk. Cpn. 64: 30			743,	76%	+#:	17.37
Taylor Woodrow 84 90						2.41
Tokyu Land Con. 7≥ 96	4/91	325	101%	102%	+2%	4.00
Transes Int 34 95	. 2/81	88	82 Ì	837	+&_	18.14
Tricorp 87, 95	12/30	11.25	824			
Union Br Switz 5 89	2/80 7	0.79				5.51
Furilsu 5 84 DM	7/79	31 5	182	183	-1	-2.14
Sharp Cpn 6: 86 DM	9/96	505				-0.76
	11/798					-0.76 -1.63

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EUROBOND TURNOVER (nominal value in \$m) Cedel clear

U.S. 8 bonds Last week Previous week	1.559.1 779.0	4,399.7 1,942.5
Other bonds Last week Previous week	828.2 188.7	736.5 273.0

No information available... previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yeo bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread = Margio above six-month offered rate (three-month; shove mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: De-nominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cov. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Per-centage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV: Credit Commercial de France, Credit Lyonnais: Commerzbank AG: Deutsche Bank AG; Westdeutsche Landesbank Girozentrale, Banque Generale du Luxembourg SA: Banque Internationale Luxem-hourg: Kredietbank Luxembourg: Algemene Bank Nederland NV. Pierson, Heldring and Pierson Credit Suisse/Swiss Credit Bank: Union Bank of Switzerland: Akroyd and Smithers: Bankers Trust International; Credit Com-mercial de France (Securities) London: Citicorp International Bank; Daiwa Europe NV: Deltec Trading Company: EBC; First Chicago; Goldman Sachs Inter-national Corporation: Hambros Bank; IBJ International: Kidder Peabody International: Manufac-turers Hannver: Merrill Lynch: Morgan Stanley International: Nikko Securities Company Brothers International: Samuel Montagu and Co.; Seandinavian Bank: Societe Generale Strauss Turnbull: Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 8

All of these Securities have been sold. This announcement appears as a matter of record only.

SEK

\$75,000,000

AB Svensk Exportkredit

(Swedish Export Credit Corporation)

13% Notes Due 1986

MORGAN STANLEY INTERNATIONAL

SKANDINAVISKA ENSKILDA BANKEN

SVENSKA HANDELSBANKEN

ALGEMENE BANK NEDERLAND N.V.

BANK OF AMERICA INTERNATIONAL CREDIT COMMERCIAL DE FRANCE

BANQUE BRUXELLES LAMBERT S.A. KUWAIT INTERNATIONAL INVESTMENT CO.S.A.K.

LLOYDS BANK INTERNATIONAL

MANUFACTURERS HANOVER

THE NIKKO SECURITIES CO., (EUROPE) LTD.

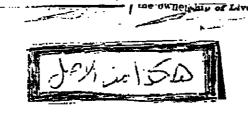
SWISS BANK CORPORATION INTERNATIONAL

UNION BANK OF SWITZERLAND (SECURITIES)

WESTDEUTSCHE LANDESBANK GIROZENTRALE

SPARBANKERNAS BANK

March 31,1981



16

HONG KONG HOLLAND May 8 CANADA 1981 | High | Low | . Маў : 8 NEW YORK - 1981 High Low 1981 High | Low Stock **Stock** High Low Stock | 121s | 8 | MGM | 101s |
1253,	9014	Metromedia.	1253,
3514	275e	Milton Bradley.	30
6414	5712	Minnesota MM	5912
102	7954	Missouri Pac.	8614
8176	59	Mobil	6112
1218	10	Mohasco	11
26	1812	Monarch MT	2312
27	675c	Moosanto.	71
597g	4714	Moore McCmrk.	5514
491g	Morgan (JP)	5212	
1813	Murphy (GC).	17	
1814	1815	Murphy (GC).	17
2916	Mathematical	17	
2916	Mathematical	17	
2917	2918	March	3312
3223	261c	Mathematical	543c
543c	543c	543c	
553c	543c	543c	
554c	543c	543c	
555c	55c	543c	
565c	565c	565c	565c
565c	565c	565c	565c
565c	565c	565c	565c
565c	565c	565c	565c
565c	565c	565c	565c
565c	565c	565c	565c
565c	565c	565c	565c
565c	565c		
565c	565c	565c	
565 Stock May 8 Price Schitz Brew J... Schlumberger... SCM... Scott Paper... Sendder Duo V... Sea Contra... 105, 991, 295, May 8 May 8 Price High Hìgh 34 3878 17 3858 1778 42 414 45 224 494 191₈ 51 LOW Stock May 8 85.5 68 ACF Holding 78			
79.5 67.8 Ahold 69.5
24.5 18.7 AKZO 22.9
296.5 28.5 ABN 284.5
96.5 28.5 ABN 89.2
60.1 54.3 AMRO 65.6
222 182 Bredero Ceft 215
88.7 75 Box Kalis 83.9
62 53.7 Burtmann-Tot 60.2
36.3 28.1 Catand Hidgs 33
165 128.5 Elsovier 137
146.5 136.5 Ennis 143.7
77.0 74 Euro Com7st 76.5 High Low Stock 45½ | AGF Industries ... | 45½ | 19¼ | AMF ... | 24 | 11 | AM Inti ... | 15¼ | 31½ | ARA ... | 34 Sea Contra-Sea Contra-Seastam-21:9 Seased Power-25:9 Searle (GD) 285a 1878 2314 1614 Comp. Science 2214
5975 3134 Cone Mills 3512
5456 4176 Cone Mills 4914
6534 1736 Conroc 2112
2214 1736 Conroc 2112
2214 2256 Cons Edison 3014
319 245 Cons Freight 3914
6534 4514 Cons Nat Gas 45
18 614 Consumer Power 1716
1856 934 Cont Group 3514
4018 2312 Cont Group 3514
36 3078 Cont Illinois 3414
7918 6056 Control Data 7378 371s 361s 45 333: 21 313s 413s 2778 8412 3578 4176 22978 5912 4214 25818 3418 3418 3418 3418 3418 35512 20 21 46 37 12 23 43 43 44 41 44 JAPAN May 9 High Low | 3014 | Alcoa | 3114 | 3514 | 3514 | 3514 | 3514 | 3514 | 3514 | 3514 | 3014 | 4014 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 3114 | 941 800 570 584 5156 67 4334 194 824 3636 4418 1776 4818 4476 2312 3576 607a 253, 203, Chieftain 22 72 633, Comingo 67 2812 2214 Cons Bathet A 2812 2514 1955 Coseka Res 2159 144 914 Costain 1256 1354 1014 Daon Devel 1178 5838 4812 Dome Mines 48 11112 8412 Dome Mines 10812 10214 7112 Dome Petroleum 10214 221₈ 171₄ 435₉ 181₈ 29 55 311₄ 881₂ 34 5734 7932 7172 2138 2638 1713 2830 2158 3633 713 6538 3633 713 6538 3533 3533 48½ 40½ Morfolk & Westn 46
361½ 37½ Nth. Am. Coal. 30½
361½ 37½ Nth. Am./Philips. 50¼
25 20 Nth. State Pwr. 22½
26½ 44½ Northorp ... 48¼
3452 24½ Nwest Airlines. 31½
3079 27½ Nwest Bancorp. 28¼
3079 27½ Nwest Inds. 50¼
1036 9½ Nwest Inds. 50¼
1036 9½ Nwest Inds. 50¼
1036 9½ Nwest Inds. 50¼
1036 1036 Norton. 161½
3472 28¼ Occidental Pet. 28%
36 30¼ Occidental Pet. 28%
51¼ 25¼ Ogiden 34½
1272 113¼ Ohio Edison. 34½
25¼ 1956 Olin 2578
4056 3256 Onsok. 35½
4056 3256 Onsok. 35½ ITALY 2614 | 1914 | Dom bridge 2319 4912 | 40 | Dom Foundries A | 4512 3618 | 2779 | Dom Stores 3412 116 | 8712 | Falcon Nickel 10414 49 | 3514 | Genstar 3778 260 | 195 | Gt. West Life 255 2741 | 23 | Guif Garada 2654 1214 | 754 | Guifstream Res. | 8 2812 | 21 | Hawk Sid. Can 25 4915 | 4812 | Hollinger Argus 4812 901 H38CR3W3. 539
617 528 Heaves Rt Est. 572
625 310 Hitschi. 625
630 549 Hitschi. Koki. 579
969 51! Honds. 911
1,100 819 House Food. 948
979 810 Hoys. 395
556 450 Ho Ham. 450
1,300 1,100 fto Yokado. 1,100
725 534 JACCS. 554
2,510 2,390 JAL. 2,350
740 656 Jusco. 670
344 270 Kajima. 350
620 454 Kao Soap. 557
735 619 Kashiyama. 380
620 454 Kao Soap. 557
735 619 Kashiyama. 380
555 418 Kirin. 545
1,500 950 Kokuyo. 1,130
688 507 Komatsu. 595
630 505 Komstroiku. 624
361 345 Kumegai. 356
4490 3,140 Kyoto Geramic. 4,450
554 415 Leon. 565
1,000 867 Makika. 905 May 8 Price 1981 3934 | 31 Am. Standard | 3812 2734 | 213₈ Am. Stores | 263₄ 557₆ | 483₄ Am. Tel ± Tel | 551₆ 235₈ | 251₄ Amfac | 235₈ 271₂ | 23 Amstar | 26 48 | 415₈ Amstead Inds | 444 20 | 161₂ Anchor Hockg | 167₆ 387₈ | 281₈ Anheusar Bh | 253₄ 343₄ | 25 Arcata | 293₈ 244₆ | 18 Archer Daniels | 191₈ 415₈ | 321₄ Armoo | 257₈ High Low Lire

1350 750 ANIC 880

188,500 (182 200 Assicur Gen. 180,600

94,00044,000 Banca Com'le 90,000

855 541.Bastogi Fir 569

52,200,42,800 Centrals 49,785

22,500,13,250 Credito Varesino 22, 100

2,610 1,749 Flat. 2,433

104 72,Finsider 96,2

6,870 3,890 Invest. 5,870

281 Italiader. 56,000

288,25 175 Montadison. 288

5,150 3,650 Olivati 288

5,150 3,650 Olivati 50,485

5,740 1,730 Pirelli, Co. 4,850

2,740 1,730 Pirelli, Co. 4,850

1,558 1,181 Snia Viscosa 1,181

1,250 1,010 do. do. Priv. 1,148

58,100 22,300 Toro Assic. 57,490

51,200 18,189 do. Praf. 50,490 High Low 37 295; Nudson Bay Mng. 291;
271; 251; Nudson's Bay ... 263;
311; 21 do. Oli & Gas... 31
215; 156; Nusky Oli ... 171;
13 101; 14C ... 101;
38 303; Imasco ... 361;
38 505; Imp Oli A ... 351;
275; 217; 100 ... 241;
19 141; Indail ... 18
161; 144; Inter. Pipe ... 157; 18 | 143s | Armstrong CK.... | 17 175s | 155s | Asamera Oil... | 137s 481s | 355s | Asarco | 421s 407s | 291s | Ashland Oil... | 525s 31 | 24 | Assed D Goods | 271s 657s | 455s | Atlantic Rich... | 511s 633s | 47 | Auto-Data Prg | 581s 31 | 24 | Ayery Inti... | 213s 19 | 131c | OutboardMarine | 187c | 505t | 405c | Overseas Ship | 421c | 501c | 255c | Owens-Hincis | 301c | 47 | 351c | PHH Group | 425c | 575c | 354c | PHG Inds | 515c NORWAY 558. 480 Meada Cons. 555
1,000 867 Makita. 905
399 350 Marubani 551
658 Marubani 551
550 725 Marubani 662
929 728 Marui 1,520
1,520 795 Matsushità. 1,520
490. 958 M bishi Bank. 539
739 640 M bishi Corp. 665
340; 209 M bishi Bank. 440
513 186 Mil. 221
353 310 Mitsu Co. 320
616 497 Mitsui Ri Est. 983
406 497 Mitsui Ri Est. 983
502 446 Mitsui Ri Est. 983
1,040 870 Mippon Denso. 1,310
1,040 777 Nippon Denso. 1,310
1,040 777 Nippon Gakki. 921
1,500 1,050 Nippon Meat. 457
1,500 1,050 Nippon Meat. 457
1,500 1,050 Nippon Oil. 1,050
869 160 Nippon Steel 219
238 210 Nippon Steel 20
238 210 Nippon Steel 230
4,950 4,200 NTV. 835
880 700 Nissan Motor. 835
880 266 Nisshin Flour. 365 241₂ 16 Easco 221₂
111₄ 71₇ Eastern Airlines. 97₈
293₅ 241₈ Eastern Gas & F. 24
847₆ 691₈ Eastern Gas & F. 24
147₆ 137₈ Eastern Modak. 751₈
593₆ 255₂ Eatten 365₄
147₆ 131₈ Echlin Mig. 137₈
457₈ 316₈ Eckerd Jack. 421₄
501₂ 34 Electronic Data. 49
8 47₈ Elect. Momories. 54₈
251₂ 20 El Paso. 233₂
47 363₆ Emarson Elect. 466₈
191₄ 143₈ Emery Air Fgt. 171₂
383₆ 281₂ Empart. 311₄
551₈ 38 Engelhard MC. 461₄ 1981 . Price Krono High Low 123 105 Bergens Bank... 107.50
113 77 Borreguard 93
150 113 Creditbank... 117
84 67 Elkem 67
485 415 Kosmos 460
537.5 412.5 Norsk Hydro... 412.5
185 138 Storebrand 172.5 2214 Tipperary 2214
1812 Tonka 2558
1618 Total Pet 1631
21 Trans—2358
1712 Transamerica 2032
2412 Transamy 2778
1814 Trans World 2558
38 Travelers 4558
1012 Tricentrol 11
1978 Tri Continentol 2112 46 c 3254 Nthn. Telecom... 4354
231a 17 Oakwood Pet... 1914
4.05 3.00 Pecific Copper... 3.25
9612 851a Pan can Petrol... 9014
62 431a Patino... 52
2654 2115 Placer Dev... 235a
24 121 Power Corp... 2212
7.3 | 4.60 Quebec Strgn... 4.60 35 273 233 2714 2218 304 273 50 16 243 481s 381s Kaiser Steel 455s 345s 203s Kareh Services 223s 155s 107s Kaufman Brd 135s 275s 191c Kay Corp 221s 685s 234s Kennecott Cpr 585s 377s 293s Kennecott Cpr 585s 375s 69 Kidde 444 44 465s 55s 36 King's Dept. St. 7 565s 375s 203s Kopers 255s 275s 181s 197s Kroger 255s 275s 385s 385s 181s 281s 2825s 385s 385s SWEDEN 1981 Price Krono May 8 High Low 4378 1512 6114 3212 2278 4634 68 214 164 95 378 225 178 106 193 AGA... 193 AGA
132 Affa-Laval
71 ASEA
250 Astra
76.5 Afias Copeo
335 Boliden
128 Cellulosa
76.5 Electrolux B....
104/Ericsson
125 Esselte 23 Beth Steel 271s
273 Big Thee Inds 32
1712 Black & Decker 1812
2914 Block HR 351;
261a Blue Bell 271;
5214 Boeing 3214
3518 Boise Cascade 455;
2612 Borden 273;
3712 Borg Warner 48
122 Briggs Stratn 251;
4618 Bristol-Myers 525;
321s BP 353;
389 353; 32 3758 2153 34 3358 4354 4453 3919 50 28 645₁ 285₈ 287₈ 121₈ 16 607₈ 621₂ 623₉ 105₈ 90 265 174 94 166 135 4,950 4,00 NTV 4,210
880 700 Nissan Motor 835
450 365 Nisshin Flour 365
185 142 Nisshin Steel 165
600 368 Nomura 568
343 285 NYK 16,690 1,260 Olympus 16,690
1,280 1,000 Orient 1,240
4,030 2,360 Ploneer 4,050
800 600 Renown 792
738 595 Roch 738
627 379 Sarryo Elect 590
730 605 Sekirsu Prefab 682
808 645 Sharp 682
808 645 Sharp 760
875
4490 3,030 30ny 4,90
351 251 3'tomo Marine 630
332 199 Taisel Corp 220
595 546 Taisho Pharm 556
1,050 618 Takeda 901
4,800 3,190 TDK 5,230
222 148 Teilun 201 765 3134 2478 2014 2014 2518 3518 388 3238 4518 78. Fagersta 155
78. Fagersta 116
205. Fortia 258
104. Mo och Dom 141
76. Sanb-Scania 107
185. Sandwik 210
315. Skandia 364
131. Stan Enskilda 159
84.5. SKF 105
207. St. Kopparberg 245
64. Sven Handelsbn 70
96. Swedish Match 113
65. Volvo 103 124 256 170 129 235 367 185 126 280 77 120 112 451s 321s Union Oll Cst. 361s 78 525s Union Pacific 594: 85g 55s Union Pacific 594: 81s 55s Union Pacific 594: 81s US Home 29 81s US Tobacco 38 8274; US Trust 324; US Trust 65 85 112 Union Technologs 577s 197s 151s Union 603; 371s 89 611s Uplohn 603; 874 221s VF 321s Varian Assocs 261s 81s Vergitron 181s 1716 Pub. Serv. E & C. 1716

2214 1812 Pub. S. Indiana... 1876

2215 5776 54 Purculator 5534

3558 3016 Quaker Cats... 3314

3588 718 Quaker Cats... 3314

3581 2444 Questor 8

3581 105 Ratton Purina... 1238

1054 658 Ramada Inns... 978

458 354 Rank Org. ADR... 418

10814 9168 Rank Org. ADR... 975

5458 3344 Radding Bates... 343

181 Radman Inds... 1038

4012 2914 Radman Inds... 1038

4014 2914 Radman Inds... 1038

7978 678 Rasves Bros... 37

7978 7978 7978 Railance Group... 7834 2514 1912 Bucyrus Erie 2054
2414 1812 Eurlington Ind 2514
72 69 Burrington Nrhn 3514
59 4114 5212 Burroughs 4518
5516 48 Burroughs 4518
6619 4718 CBS 5554
6619 4718 CBS 5554
5512 4658 CSX 5218
6312 4654 Campbell Red L 6658
55 3048 Campbell Soup 3012
3278 2318 Campbell Soup 3012
3278 2318 Campbell Tagg 2912
4512 125 Canal Randolph 37
4254 5559 Canal Randolph 37
4258 5559 Canal Randolph 37
4258 5559 Canal Randolph 37
4258 5559 Carnation 3714
3214 2658 Carnation 32
4814 37 (CarpTech 4814 SWITZERLAND Price Frs. May 8 High Low 565 801 995 132 625 241 369 560 GERMANY 317₈ 223₆ Republic Steel 297₆ 431₈ 341₄ Rep of Texas... 413₆ 183₆ 137₈ Resch Cottrell... 158₆ 316₈ 221₄ Resort Int A... 26 397₈ 293₄ Revoo (DS)..... 357₈ May 8 Price Dm. 1981 High Low 74.5 51.2 AEG Telef...... 53.3 560 472 1,100 3,340 844 1,040 640 878 705 | Wal-Mart Stores | 381, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281, | 281 254 504 4812 3814 3518 14 14 43 62 49 16 30 34 29 78 29 78 15 55 38 12 28 12 3 74 15 59 8 36 28 12 15 59 8 36 28 78 15 59 16 27 537₈ 24 27 1214 344 515₈ 515₈ 5734 304 40 15½ 34 20 1958 27½ 26 42½ 8 33 46% 1858 21 3739 3814 3914 2014 7478 37 4158 478 1514 1054 3178 2834 3,250 2,345 248 4,500 545 250 699 346 6,800 1,595 3,050 2,425 GK Technologies
Gannett
Gelco
Gen Am Invest
Gen Cinema
Gen Dynamics
Gen Foods
Gen Foods
Gen Instrument
Gen Mills
Gen Motors
Gen Pub Utilities
Gen Telep Elec
Gen Telep Elec
Gen Tire
Genseco 4954 444 52 2358 3552 42 6854 11573 3476 5758 2658 512854 744 49%, 40%, 25% 20 32 4 5 5 3 3 4 5 5 2 5 4 5 6 5 2 5 2 5 6 5 2 7 5 6 7 5 199 180 276.5 137.5 67.8 308 260 151 1712 3594 3594 575 757 4434 42434 1844 1844 1844 197 SOUTH AFRICA 1981 May 8 High | Low 1014 16 1234 3658 2358 1434 2012 2678 2412 3012 2614 3718 3238 8218 8218 8218 846 656 1278 23 1534 494 3412 1614 2656 3714 3714 4612 4612 4612 1014 786 AUSTRALIA 297 167 180 137.8 212 Wheelabratr F
Wheeling Pitts
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White Consoltd
White Notor.
White Ser.
Winn-Dixle Str.
Winn-Dix 24 · 4 124 36 · 8 43 · 4 36 · 8 43 · 4 36 · 8 70 · 8 25 · 8 25 · 8 35 · 7 36 · 8 35 · 8 35 · 8 36 · 1414 371₂ 344 65 327s 2614 44s 48 17 465s 345s 271s 271s 401s 1614 537s 2034 388s 2014 2015 5212 3018 2414 3318 358 4158 5358 3412 534 2218 5756 1278 5756 1756 1758 4812 1918 1878 2314 2858 2858 2648 2012 2114 5458 1478 May 8 High ; Low 4.80 1.40 1.05 4.85 1.95 2.00 2.50 2.40 2.40 2.40 3.55 4.15 4.00 2.05 8.96 Genuine Parts.
Georgia Pac.
Geoscurcs
Gerber Prod.
Getty Oil.
Giddings Lawis.
Gillette.
Giodal Marine.
Goodrich (BF)...
Goodyear Tire...
Gould... 36 3134 6294 9214 3978 3314 7112 2734 2018 2958 44 265g 250 12 6514 327g 275g 455g 451g 475g 475g 475g 124.8 23.2 (P) 438 Alistate Expl
Ampol Pet
Assoc. Pulp Pap.
Audimco
Aust. Cons. Ind.
Aust Guarant
Aust. Nat. Inds.
IAust. Nat. Inds.
Bank NSW.
Blue Metal
Bond Hidgs
Boral
Bl'ville Copper
Brambles Inds
Bridge Oil 1.90 2.50 0.20 2.08 3.70 2.28 3.65 2.06 3.55 1.68 3.03 6.40 440 365.5:Hoizmann (P)
150.0, 132.5:Hoizmann (P)
150.0, 132.5:Hoizmann (P)
120.5 212.5;Kail und Salz
120.5 177.5;Karstadt
191.0 170.5;KH0
68 42.0;Kloeckner
76.0 51 Krupp
317.0 297.0:Linde
78.5 57.0:Lufthans
188 163.5;MAN
146 122.0;Manneamann
1275.5 220.0;Mercades His
137.8 309.0;Metaligassell
168 160 (Murcach Buck 3112 5046 2559 1839 2554 5048 182 183 54.5 66 316.5 74.5 13.90x 0.23 4.28 6.70 16.75 0.40 7.00 7.50 3.02 3.85 0.70 0.46 1.85 2.72 3.00 8.50 6.30 4.70 . Indices AUSTRIA **NEW YORK** -DOW JONES 1981 Since Cmpil't'r May 6 Creditanstalt..... Landerbank...... Perimoses Semperit Steyr Daimler Veitscher Mag May 7 May 5 Financial Rand US\$87 336 326 336 211 276 243 110 100 251 220 276 254 High Low High | Low (Discount of 27%) AUSTRALIA Ali Ord. (1:1:80) Motal & Minris. (1:1/80) eindustr'is 978.49 978.69 975.54 972.44 979.11 995 59 1824.95 (27/4) H'me B'nds 58.41 56.57 58.44 58.50 59.96 58.58 55.78 (16/1) Transport... 418.49 418.77 415.16 411.82 417.87 425.96 447.58 702.4 688.4 841.7 (17/2) 654.8 (5/5) BRAZIL AUSTRIA May 8 5.05 Constain
5.10 Crusader oil
1.04 Duniop
2.85 Eider Smith GM
0.57 Endeavour Res.
1.40 Gen Prop Trust
2.85 Hamersley
1.30 Hooker
2.10 ICI Aust
1.20 Jennings
0.82 Jimberlana 25c
0.82 Jimberlana 25c
0.86 Ka Ora Gold
0.51 Lennard Oil
1.60 Meekatharra Ma
0.82 Merdian Oil
0.25 Monarch Bae 447.58 12.25 (19:4:81) (8:7:52) 165.32 18.5 (20:4:69) (28:4:42) High 81.48 (4/6) 7.60 1.40 4,50 0.80 1.85 9.80 1.90 2.55 1.30 0.51 1.60 6.70 0.55 (16/4) 105,56 105,45 104,83 105,93 194,82 105,62 117,81 (6/7) 0.87 4,20 1,55 2,98 3,50 2,60 1,06 3,10 6,10 6,45 BELGIUM Belgian SE (81/12/66) BELGIUM/LUXEMBOURG FRANCE Trading Vo 000 7 41,860 42,580 47,100 48,000 40,430 48,860 78.85 79.73 88.61 79.75 (7/6) · May 8 Price Frs, 95.68 (2/1) May 8 Price Fis. High Low eDay's high 983.88 low 972.71 High Low 3,925 2,241 Emprum 417 1975 2,316 10,950 6,810 Emprum 73 1876 7,415 3 289 2,890 CNE 75 3,175 529 340,047 que Occid 806 501,0 455,1 Air Liquide 480 1,275 1,055 Aquitaine 1,115 ARBED
Banq Ind A Lix.
Bekaert B.
Cimert CBR.
Cockert II
EBES.
Electrobel.
Fabrique Nat.
GB-Inno.
GBL (Bruxi).
Gevaert.
Hoboken
Intercom.
Kredietbank.
Pan Holding. 1348 5000 1450 970 205 1800 3380 2300 2110 1174 1474 1470 2580 1366 1040 4350 1810 900 145 1570 8535 1350 1850 900 1274 2206 4660 4660 1,295 4,350 1,372 922 180 1,436 2,680 1,700 1,850 1,344 2,295 1,268 Apr. 20 | Apr. 10 | Year ago (approx Ind. div. yield Z 5.57 5.51 5.54 6.50 TEL AVIV 215,88 (8/2) 686,4 (16/2) STANDARD AND POORS Prices Change May 10 on the 1981 week 490 194.0 839 1,233 1,896 484 435 403 Meridian Oli
Monarch Pat
Myer Emp.
M HOLLAND May High Low High Low May May May 4 Banking, Insurance and Finance
Bank Laumi
IDB Bankholding
Bank Happaalim Br.
Union Bank Israel Br.
Urd. Mizrohi Benk
Hassneh Insurance Br.
Bon. Mort. Bank Br.
"Telahot" Israel Mort.
Bank Br. 91.6 79,6 91.5 92.4 71.8 71.8 0.56 1.962 4.000 14.16 2.785 11.939 2.558 2.965 10.72 0.870 2.80 4.180 4.190 2.558 4.190 2.558 4.190 2.558 4.190 2.558 4.190 2.806 4.190 4 99.7 72.8 85.7 (2/1) 52.8 (2/1) tindust'is ... 149,56 149,47 149,44 147,86 149,11 159,46 157,02 145,75 169,98 5.52 Composito 151,66 131,67 130,79 150,82 158,57 132,79 159,19 129,58 149,58 1,898 484 414 398 HONG KONG Hang Seng Bank (61/7/64); |451,11,1416,49 |1420,64 |416,47 1,433 1,375 1,035 445 618 1285.44 (11/6) 4,445 Petrofina ... 4,550
4,010 Royale Beige ... 4,300
1,380 Soc Gen Banq 1,900
1,012 Soc Gen Beige ... 1,048
2,560 Sofina ... 2,745
2,205 Solvay ... 2,250
2,000 Traction Elect ... 2,020
962 UCB ... 1,222
656 Union Minters ... 724
980 Vieille Mont ... 1,160 - 62 0 - 62 0 5,200 1,650 333 361,5 135,2 189 89 196 31,5 945 299,5 175.56 (6/1) Ind. div. yield % 4,650 2,275 1,290 3,040 2,480 2,396 1,336 764 1,194 JAPAN rapan Dow Average (16/6/49) Tokyo New SE (4/1/68) 7485,25 7440,527465,50 (c) 552,50 649,11, 552,17; (d) 65.0 870 10,59 7,40 Ind. P/E Ratio Land Development 13,36 13.07 9,91 Long Gov. Bond Yield Africa Israel Inv. IEID 2.214 Israel Land Dov. Br. ... 1,300 Property and Building... 840 NORWAY Oslo SE (1/1/72) 1,300 840 122.88 124.85 125.00 126.60 127.57 (4:5) 115.22 (15/2) Rises and Falis r-- 110.0 N.Y.S.E. ALL COMMON 390 99.50 295 697 1,559 57.50 2,280 830 Public Utility Israel Electric Corp. ... 750 404.0 525.5 Gen Occidental 106.1 68.5 Imatel 300 270.0 Lafarge 697 590.0 L Oreal 1981 859.62 (2/1) 1,908 818 660 430 18 26 106.1 300 897 1,685 50,3 2,400 840 544,0 1884 835 633 416 1,915 902 508 405 14 29 Investment Companies Bank Laumi Invest. ... SOUTH AFRICA DENMARK Low High Bank Loumi Invest 857.3 828.2 655.0 650.8 654.8 855.8 561.3 (6/6) 657,2 (5/2 Bold (1858) ndustrial (1858) 72.45 (20/2) 76.13.76.08.75.60.75.30 79.14 (8/1) May 8 Price Discount Invest. Commercial and Industrial SPAIN 70.0 100.48 (2/1) Madrid SE (69/12/95) 130.0 117 384 321.6 132.2 118.0 381.6 328.6 127.6 113.4 134.5 110.2 181.4 160.6 396.0 310.0 117.47 118.40 115.80 116.80 117.47 (6/5) Andelsbanken Baltica Skand CopHandelsbar D. Sukkeriab Danska Bank... MONTREAL 321.6 118.0 528.6 113.4 110.2 160.6 510.0 60.5 Moulinex
285.5 Parthes
82.5 Pachiney
252.0 Pernod Roard
159.2 Perrier
117.0 Petiged SA
167.0 Potignot SA
205.0 Radiotech High SINGAPORE Low SWEDEN 70,8 118 368,60 115 132,20 478,66 404,17 (20/1) 248 101.2 300 150 176 193 240.5 594.68 390.23 561.82 577.65 598.53 (10/4) 564.15 560.78 556.98 555.18 573.96 (2/4) 358,26 (20/2) 338,54 (20/2) -- 120.0 -- 176.0 May 8 287.8 (18 2) Filte Tova Reg. TORONTO Composite 2287.7 2279,98 2257.80 2246.78 2578.8 (10/4) 2151.4 (20/2) 9.30 5.35 8.85 6.85 3.98 4.90 9.50 15.5 16.70 7.30 | \$10.0 | Forenede Srygg, 551 | 240.0 | Forenede Dampek 292, 60 | 188.4 | GNT Hidg ... 205 | 143.6 | Nord Kabel ... 143.60 | 680.0 | Novo Ind. ... 1, 196 | 100.0 | Papirfabrlikker ... 104.4 | 120.4 | Privatbankenk ... 121.2 | Provinsbanken ... 182.2 | 299.2 | Smidth [FI] ... 298.40 | 557.0 | S. Berendsen ... 629.40 | 120.6 | Superfos ... 127.80 MORLD 292,6 219,0 Fisel and Oil 155.6 149.8 (17/2) apital Intl. (1/1/78) 614 -108.0 **NEW YORK ACTIVE STOCKS** Esse values of all indices are 100 except Australia All Ordinary and Metals—500: NYSE All Common—50: Standard and Poors—10: and Toronto—1,000; the last named based on 1975, † Excluding bonds. † 400 industrials. § 400 industrials glus 40 Utilities. 40 Financials and 20 Transports. c Closed. It unavailable. Chenge 180,0 1195 106,0 135,6 137,0 312,0 Tel Ayiv. price 321= 68 362= 343= 563= traded
Oynamics 681,100
674,800
536,800 NOTES: Prices on this page are be quoted on the individual exchanges and are her traded prices. Finance suspended. And Ex dividend, an Ex savin tesus. At Ex rights, as Ex all. Exxon Toxago

desiented

Committee looks Derritron group managing director at Lloyd's Bill

f Parliament for improving self wealth to allow the market to egulation at Lloyd's will be function—from 6 to 8. onsidered by a parliamentary This may not be sufficient for

irafted amendments to the pro- bership. posed legislation in response to riticism by some of its undervriting members and MPs.

amendments, which loyd's finished drafting last are to have 16 representatives week, include/ detailed pro- on the new council. edures for dealing with fraud n the Lloyd's market.

The procedures are more detailed than seemed likely during initial discussion about the Bill, which omitted any refer which omitted any referto fraud in its original

Under the proposed amendments a new Lloyd's ruling council will be able to create bye-laws empowering the counril to order investigations into frauds—or other

Through the creation of further bye-laws, the council can furnish itself with powers which will allow it to take proceedings to deal with fraud and allow it to supply the police with any information or documents in its possession.

In doing so, the council could ensure that the confidentiality of any information or documents given to Lloyd's is pre-

These moves by Lloyd's on the issue of fraud are likely to satisfy most of the critics, who were anxious that Lloyd's should include detailed proposals about this matter.

While the new clauses are essentially permissive, in that they allow rather than require the council to implement the necessary measures by bye-law, the council has the necessary legal framework to create formal procedures.

As another key change in its Bill. Lloyd's is proposing that the number of members who right to manage underwriting sit on the new Lloyd's ruling syndicates at Lloyd's, it was council should be increased from 25 to 27. Lloyd's is increas- ing debate that Lloyd's should ing the representation of the give an undertaking that some external members-the 16,000 kind of divestment would take members who do not work at place.

THIS WEEK the Lloyd's Bill Lloyd's but who pledge their

some of the critics of the Bill; Since the second reading of who were looking for a more he Bill in the House of Com- representative Council based on nons in March, Lloyd's has the structure of Lloyd's mem-

They argue that only about 4,000 Lloyd's members work in the Lloyd's market as underwriters and brokers, yet they

They point out that in Parliament Sir Graham Page MP, who is steering the Bill on behalf of Lloyd's, said that the number of external members on the council would be increased to at least eight

Other members of Lloyd's are objecting to the classification of underwriting members into working and external members, arguing that as all members share common interests such division is unnecessary. Declassification is being sought by two underwriting members who have lodged a parliamentary petition, seeking a variety of changes to the Bill. This will be heard by the committee this

Lloyd's faces other hurdles before its legislation is passed into law. There is unease in Parliament about a controversial indemnity which gives Lloyd's officers legal immunity, a power enjoyed only by the Privy Council and the Crown.

Lloyd's has agreed that any indemnity can only be introduced by by-law which will require parliamentary approval. Opposition MPs are unhappy that this important measure be introduced by subordinate legislation. They want it introduced as primary legislation to be debated with the

main body of the Bill.

Some limitation of the scope of the indemnity has been sug-

As for the question of whether insurance brokers should divest themselves of the urged during the second read-

(R000s) 27,185 3,227

23,95B 8,058

15,900 _ 184

13,716

2,505

24,657 4,516

20,141 7,296

12,845 4,124

8,721

1,649 ry share 79.3 15.0

sible for all operating companies with the group. Mr. Floyd was previously a director of Lesney Products and Co.

Governments and Administrations and the Crown Agents Holding and Realisation Board for three years. His appointment follows the retirement of Sir Mr. K. W. Hughes and Mr. Leslie Kirkley at the beginning J. W. J. Moxon have joined the of this year. Sir Peter is a partnership of CAPEL-CURE former Lord Mayor of London. MYERS, stockbrokers. Mr.

COMPANY MEETINGS— ewitt (i.) (12 stoc), North Stafford Hotel, Station Road, Stoke-on-Trent.

wercaants Tst. 20. Fenchurch Street, EC 11.45 Kean Transport & Trading India Bidgs, Water Street Liverpool, 2.30 use lovs, Midlands Hotel, Sirmingham, 12.00

BOARD MEETINGS-

nais: shopsyste Tst. itish Home Stores itish Vending Inds.

Counties Newspapers, 75. Castle t, 1970n. Beds. 12-00 was Germand, Maids Head Hotel. ich: 12-00 ints 7st. 20. Fenchurch Street.

Mr. Anthony Floyd has been He is a director of the Guthrie R. J. F. Picton joins the firm as appointed group managing Corporation and other companies. an associate member.

TRONIC EQUIPMENT MANU FACTURERS' ASSOCIATION

Mr. J. G. Simpson retires from the partnership of PHILLIPS AND DREW, stockbrokers, on May 31. Mr. C. H. V. Collins, Mr. J. Hemingway, Mr. J. B. Hyslop, Sir Peter Gadsden has been Mr. C. A. Marsh, Mr. J. B. appointed part-time member of Marsh and Mr. Phillip Howard the Crown Agents for Oversea will be taken into partnership on

> Mr. J. R. Brookson, Mr. D. M. partnership of CAPEL-CURE MYERS, stockbrokers. Mr.

Mr. W. T. Haslam has retired from the partnership of ORME AND CO., stockbrokers, but continues as an associated member. Mr. T. A. M. Pigott has joined the partnership.

Mr. Edward Totman, Mr. Raymond Alexander and Mr. Howard Joseph, all of whom have been associated with D. J. FREEMAN de Groot, Mr. M. I. A. Goodbody, AND CO. for some tie, have been admitted to the partnership.

URE Lord Thorneyeroft has been Mr. re-elected president of the

TRONIC EQUIPMENT MANU FACTURERS' ASSOCIATION. Mr. J. T. Griffiths has been elected a vice-president. Mr. Griffiths is currently chairman of the BREMA executive council and of the consumer sector working party for the Electronics Industry Economic Develop-

Mr. John Mewat has been appointed a director of MANSON (London) of the Royal Bank of

Week's Financial Diary

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

75. Harborne Road, Birmingham, 12.00
Collins (William), Westerbill Road,
Bishossiright, Glaspou, 11.00
Bishossiright, Glaspou, 11.00
Bagshot, Surrey, 11.30
Jones (A.A.) & Shipman, Narboroush
Road South, leikester, 2.15
Laing Properties, Iam on the Park,
Hamilton Piece, Park Lane, W. 12.00
Robinson (Thomas), Railway Works,
Rochdale, Lancs, 12.00
Royal Worses, 12.00
Royal Worses, 12.00
Royal Worses, 12.00
Series, Engineering, Connaught Rooms,
Great Ousen Street, WC. 12.00
Spirax-Sarto, Queen's Hotel, Cheltanham,
12.45
BDARD MEETINGS— ROARD MEETINGS-BOARD MEETINGS— Finals: Bulmer and Lumb Cater Ryder City of Oxford Inv. Tst. Costs Patons Ellis and Goldstein External Inv. Tst. Gates (Frank G.) Hoskins and Horton Nurdin and Peacock Seccombe Marshall and Transatlamtic and Gene Wicht Hidgs.

THURSDAY, MAY 14
COMPANY MEETINGS—
Solevard Group, Parkersy Hotel, Dtley
(pad, Leeds, 11.00
recliffe Holes, Hepworth Holise, Claypit
Lane, Leeds, 12.00
th A Lary Berburgal Gardens West,

City Properties 0.6191p Match A & B Skr 7 Swedish Match A & 8 Str 7

TOMORROW
COMPANY MEETINGS—
Dewherst Dent. Hearton Park Road,
Higher Blackley, Manchester, 12.00
Dickle (Jamest (Cros Foreigns), Victoria
Stamping World, Somerset Road, Ayr.
Scotland, 12.00
Dorada, Churchill Hetel.
Square, 12.00
Hopword, Ceramic, Charing Cross Hotel.
Keinword, Benson Loosdala, 20, Fenchurch Street, EC, 11.05 Wight HidgsInterime:
Jessups
Northern Ind. Improvement Tst.
Trataigar House:
DIVIDEND & INTEREST PAYMENTS—
DIVIDEND & INTEREST PAYMENTS—
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Armitage Brothers 24.59
Diamond Shemnock Europe Deb. Stoc
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Kleinwort Benson Finance B.V. Gtd.
Fitt. Rate Notes 1991 USSZ14.77
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Marchay (Hugh) 2.22p
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Pithard Group 2. BOARD MEETINGS-

ooper (Frederick)
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DIVIDEND & INTEREST PAYMENTS—
igenane Bank Nederland N.V. DFI 8.
30. DFI 5.5
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WEDNESDAY, MAY 13
COMPANY MERTINGS—
Armitage Erros. Armitage
Colwick: Nottingham 19.4
Erros. 12.00
Erros. 12.

BOARD MEETINGS—
Finalis:
Bank of Ireland
Commort Hotels Intni,
Conydex Hotels Intni,
Conydex
Folkes (John) Heto
Holvrood Rubber
Kuala Selangor (Rubber)
Lee Cooper
Modern Engineers of Bristol
Press (William)
Trust Union
Usher-Walker
Interims: BOARD MEETINGS-Unicarrome Ings.

Williams (John) of Cardill

DIVIDEND & INTEREST PAYMENTS—
Banco Nacional we Mexico S.A. Fibr.

Rater Notes due 1987 US578.24

Res. Transfer

Ord. 14p

Burma Mines 0.75p

Cartwright (R.) 2p

Car

company Metrings.

COMPANY METRINGS.

Conder Istol. Guildhal, Whichester, 3.08

Duncan (Walter) & Godricke, Sir John
Lyon House, 5 High Timber Street.

7. 2.30

F. Finance, Great Females

Ash & Lacy. Botanical Gardens. Westbourne Road, Edghaston. Birmingham,
Bala Group, Nortolk Gardens Hotel.
Hall Imps Bragiors. W Yorkshire, 11.50
Bestobeli, 116. Pall Mall. SW. 12.00
Cartie's Royal Station Hotel. Paragon
Square. Hull. 3.00
City & Commercial Inv. Tst. 117. Old
Broad Street. EC. 12.00
Disbock Johnsen. 1.30
Municipal Properties. Gilbert House.
Hill Street. Liverpool. 12.00
Smith & Nebhew. Grosvenor House.
Sovereign Oil & Gaz. Winchester House.
Sovereign Oil & Gaz. Winchester House.
Sylves Winchester House.
Sylves House. All
Williams Warburton. Caressa House.
Pudsev. Yorkshire. 11.30
Rylliams Warburton. Caressa House.
Pudsev. Yorkshire. 13.30
Williams Warburton. Caressa House.
Pudsev. Yorkshire. 13.30
Williams & James. Tara Model. Upton
St. Leonards, Gloucester. 12.00 BOARD MEETINGS-85-87 4-ser & Ross 4-% Ptg. Prr. 1.4p Allene Harvey & Ross 4-% Ptg. Prr. 1.4p Alliance 1st. Debs. 1-k, 2-lpc American 1st. 1.4p Do. Deb. 3-lpc (82-87) Arnellife 1.54p BOC intnl. Debs. 2-k, 3-lpc Barclays Bank Ln. 4-lpc

FINANCE TRUST and EDWARD MANSON AND CO. He was previously general manager Sarnet 73-96 Red. 82-86 13-900 Seattle (James) Deb. 31-900 Sorn Warner Corp. 6203 Seattle (James) Seattle (Jam Nept Securities & General Tet b sh Mohair Spinners 2.81p sh Sidac Deb 2 spc shwick Corp 22.5cts Boulton Deb 3 spc iff 7°, Red. 79-82 3 spc on 0.425p on 0.425p

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Gloucestershire 31.% Red. 79-31 4%pc
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Hamlyn Angus Milling Deb 21%pc
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Scottish State of Scotland Debs 14 33mc
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Spe

PARLIAMENTARY DIARY

immigration: Subject: Commission for Racial Equality. Witnesses: Commission for Racial Equality. 10.30 am-Room 15. Education. Subject. Secondary school curriculum and exems. Witnesses: Equal Opportunities Commission, Commission for Racial Equality, 4 pm. Room 6. Public Accounts. Subject: Taxation of Casual and Agency Workers. Witness: Chairman of Board of Inland Revenus. 4.45 pm. Room 16.

TUESDAY
Commons—Finance Bill, committee.
Lords—British Telecommunications Lords—British Telecommunications
Bill, committee.
Select Committee — Procedure
(Supply) Subject: Supply procedure.
Witness: Mr. Francis Pym. Leader of
the House, 4.15 pm Room 15. Social
Services. Subject: Expenditure on
secral services. Witnesses: Officials of
Department of Health and Social
Security, 4.30 pm Room 16.

WEDNESDAY
Commons—Social Security Bill, renaining stages. Lords—Debate on housing situation.

Select Committees: Arts Virinesses: Arts Council, 10.30 am Room 6. Welsh. Office Subject: Scrutiny of Welsh. Office departments. Witnesses: Welsh Office departments. departments. Witnesses: Weish Unice, Transport and Highways Group, 10,30 am Room 18. Industry and Trade. Subject: BSC Corporate Plan. Witnesses: Mr. Ian MacGragor, chairmn BSC. 10.45 am Room 16. Transport. Subject: Transport in Lendon. Witnesses: London Chamber of Commerce. London Region of CBI, 4.15 pm Room 17. Energy. Subject: North Ses Oil depiction policy. Witnesses: Department of Energy 4.30 pm Room 6. ment of Energy, 4.30 pm Room

THURSDAY ' Commons—Social Security Bill, re-maining atuges. Iron and Steel Bill, remaining stages. Ports (Financial remaining stages. Ports (Finan Assistance) Bill, remaining stages. Assistance | piii, remaining Suspen Lords—Fisheries Bill, report, Insur-ance Companies Bill, committee Marriage (Enabling) Bill, third reading. Debate on EEC report on aspessos. Select Committees—Agriculture, Sub-Ject: Animal wollare in poultry, pig and year call production, Witnesses: Meat and Livestack Commission 11 am Room 16.

FRIDAY FRIDAY
Commons—Private members' Bills.
Lords—Food and Drugs (Amnd) Bill,
second reading. Indecent Displays
(Control) Bill, second reading.

A. C. Delco to cut 159 jobs

ANOTHER 159 employees are to earlier this year. lose their jobs at the A. C. Delco motor components factory on the Kirkby industrial estate on North Merseyside due to the subsidy scheme, has lodged an continuing slump in the motor

Management hopes to achieve dancies and early retirement, that otherwise an although 371 jobs were cut could be at risk.

The company, which is entering its 36th week of short-time working under the Government application with the Department of Employment for an

Management hopes to achieve extension of the subsidy due to the cutback by voluntary rodunexpire in three weeks. It says



ISSUE BY TENDER ON A YIELD BASIS £50,000,000

The application list for the above tender issue closed at 10.20 a.m. on Friday, 8th May, 1981. plications at or lower than the Underwriting Yield were received Approximate the second and the second area of the second and in accordance with the terms of the Prospectus, the Allotment Yield is 14.55 per cent. The Stock will bear interest at the rate of 1-2 per cent. per annum and the issue price is £99.8715 per cent.

Yield tendered At or below 14.55 per cent

The basis of allotment is as follows:

At or above 14.56 per cent The first coupon, payable on 1st November, 1981 will amount to £5.4813 per £100 nominal amount of stock. Morgan Grenfell & Co. Limited

on behalf of the Republic

8th May, 1981

COMPANY NOTICES

CONTRACTS AND TENDERS

THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY LIMITED

INTERIM REPORT AND DECLARATION OF DIVIDEND

CONSOLIDATED PROFITS (UNAUDITED)

Net income after taxation Astributable to outside sha

CAPITAL COMMITMENTS
Commitments in respect of capital expenditure
COMMENT ON RESULT.
Shareholders are reminded that the figures for 194
Shareholders are reminded that the figures for 194 12,658 9.992 COMMENT ON RESULTS

Shareholders are remunded that the figures for 1980 are not comparable, due
Shareholders are remunded that the figures for 1980 are not comparable, due
for the deconsolidation of certain subsidiaries at the end of the last financial year.
The deconsolidation of certain subsidiaries at the end of the last financial year.
The deconsolidation of the state of the state of the last financial year.
The budyant trading
the increase arising from the Group's Industrial interests. The budyant trading
the increase arising from the Group's Industrial interests. The budyant trading
the increase arising from the motor industry during 1980 carried over
conditions which prevailed in the motor industry during 1980 carried over

into 1981.

The Interim dividend has been increased from 15 cents in 1980 to 22.5 cents per ordinary share.

Since the publication of the last Annual Report, the Company has acquired the following: 22.5 cents per ordinary share.

Since the publication of the last Annual Report, the Company has acquired the followings—

1. Control on certain farms in the Lesile-Delinas area, a denost of rights on certain farms in the Lesile-Delinas area, a denost of rights on certain farms in the Lesile-Delinas area, a denost of rights on certain and the same of the sum of R1.5 million.

2. A 72.5, interest in Guniting and Mining Enterprises (Pty) Limited, a read of R1.5 million, and R1.5 million area of R1.5 million.

3. A 62.5 interest in Bonanza Gold Minin (Pty) Limited, a small operation of the last Rand, for R2.3 million, and will be spent on the lit is anticlosted that approximately R1.8 million will be spent on the lit is anticlosted that approximately R1.8 million will be spent on the lit is anticlosted that approximately R1.8 million will be spent on the lit is anticlosted that approximately in addition, the entire share capital of Maulius-Deutz South Africa (Pty) in addition, the entire share capital of Maulius-Deutz South Africa (Pty) in addition, the entire share capital of Maulius-Deutz South Africa (Pty) in addition, the entire share capital of maulius-Deutz South Africa (Pty) in addition, the entire share capital of Maulius-Deutz South Africa (Pty) in addition, the entire share capital of maulius-Deutz South Africa (Pty) in addition, the entire share of supported to bare any material effect on Three acquisitions are not expected to bare any material effect on the entire of the balance of the financial year are expected to exceed the earnings achieved in the first six months.

Conversion of stock Units into Shares

Conversion of stock Units into Shares

Conversion of stock unit certificates in laster will continue to entire as an enterprise and London spock Exchanges.

Dividend of the Company were converted into ordinary shared of the same good delivery on the Johannesburg and London spock Exchanges.

pood delivery on the Johannescus of 22.5 cents per ordinary share Notice is hereby given that Dividend No. 59 of 22.5 cents per ordinary share Notice is hereby given that Dividend No. 59 of 22.5 cents per ordinary share hosted in the books of the has been declared in South Alrican currency and dividend The dividend has been declared in South Alrican currency and dividend about 31 July 1831.

In British currency converted at the rate of exchange ruling on 3 July 1981.

In British currency converted at the rate of exchange ruling on 3 July 1981.

South Alrican Non-Resident Shareholders' Tax at the rate of 1.5615% will be deducted from dividends due to shareholders whose addresses in the resister are suitable inc Republic of South Africa.

The Alrican Foods and resister of members will be closed from 4 July 1981 to 10 July 1981, both dates inclusive.

By Order of the Board 1981 to 10 July 1981 CENTARY COMPANY LIMITED. THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY LIMITED A. W. BRADSHAW, London Secretary

Registered Officer 17th Floor, Main Contral, Main/Elof Streets, Johannesburg 2001 7 May 1981

NOTICE OF PURCHASE EUROPEAN INVESTMENT BANK TUROPEAN INVESTMENT BANK
7.25° YEN BONDS OF 1977.
OUE MAY 7. 1984
NOTICE IS MEREBY GIVEN to bondboders
that portugant to the terms and conditions
of the 103n, Datwa Europe n.v., Amsterdam, as Purchase Agent for second of
European investment Bank, has purchased
furing the twelve-month period ending
april 30, 1681. Yen 700,000,000 principal
amount of such Bonds, the principal
amount of such Bonds remaining in chrulation wall yen 7 900,000,000.

PERSONAL

IN LOVING **MEMORY**

Floral tributes fade. Your regard for a departed friend lives on if you make a donation in their name to help the Aged's work.— towards a Day Centre for the lonely, medical trestment or research for the old. The chieves a great deal for the old. Please let us know the name you wish to commemorate.

Sani to
The Hon. Treaturer, The Rt. Hon.
Lord Maybrey-King, Help The Aged
Reom FTINM, 32 Dover Street
London MTA ZAP



THE NATIONAL BANK OF AUSTRALASIA LTD. (Incorporated in the State of Victoria, Australia)

NOTICE IS HEREBY GIVEN that the Resisters of Members and Transfer Books of the Company will be closed on Friday, 29th May, 1981, for one day only for the surpose of payment of interm dividual on 1981, Transfers must be lodged not later than 5 m.m. on 29th May, 1981. By Order of the Board of Directors.

L. REX. A.A.S.A. A.C.I.S. Socretary.

HERTFORDSHIRE COUNTY COUNCIL

FINANCING AND PROVISION OF WAREHOUSE-TYPE BUILDING AND ANCILLARY WORKS ON A 3-ACRE SITE

PROVISION OF LANDFILL SITE TRANSFER LOADING AND BULK TRANSPORT FOR 125,000 TONNES OF WASTE PER YEAR FOR 15 YEARS

It is planned that some 125,000 connes/annum of waste, collected by Local Authorities will be disposed of by means of an operation based on a transfer station to be constructed on a County Council site at Waterdale-adjacent Junction 6 of the M1 Motorway.

The Transfer Station will consist of a main building 60 metres x 42 metres x 12 metres high, together with retaining walls, ancillary buildings and extensive paving and landscaping. Equipment for the transfer station, including twin weighbridges and compaction/transfer units is to be provided by the Operator. Waste must be transported in enclosed steel containers attached to or mountable on heavy goods vehicle chassis and the landfill must be suitable for waste collected by Local Authorities. Detailed Planning Permission for the Transfer Station only is the responsibility of the County Council but Tenderers will be required to arrange for all other Permissions necessary for the

execution of a Contract(s). The component parts of the required arrangements are as follows:-Provide the Transfer Station (Finance and Construct). Operate the Transfer Station.

Bulk Haulage of Refuse. D. Provision of Landfill.

The Haulage tender (Component C) MUST be combined with a tender for Component D but Components A, B and D may be tendered for separately or combined, all in accordance with the following programme:-Tender documents available from 22 May 1981 from the

address below. Tenders must be submitted in a prescribed envelope by 12 NOON, MONDAY, 13 JULY, 1981.

The Prescribed envelope must be headed: West Hertfordshire —Disposal Services. To be delivered on or before 12 Noon, Monday, 13 July, 1981; and bear the address: The County Secretary, Room 223b. County Hall, Hertford, Herts. SG13 8DE. The Prescribed envelope must exclude any indication of the identity of the sender and must be delivered by hand, registered post, or recorded delivery. The result of the Tendering exercise will be put to Committee

in early September, 1981. Acceptance of a Tender to Provide the Transfer Station is likely to require construction to commence by I October, 1981, with a view to the Station being completed and fully

equipped by 1 November, 1982. All arrangements must be fully implemented early in 1983. Please reply to:-County Surveyor

Hertfordshire County Council " Goldings " North Road HERTFORD Herts SG14 2PY Telephone Hertford \$4242, Extension 8100



Enroquey Courses for your continue.

Brocking: CEREAN: -166 November 5-4880 SPA (Belgium), Telex: 49650.

Tel. (intern.) 32 -87 / 77 39 16. Dimformation in England: Tel. 02 27 / 71 08 98.

Holiday courses for your of



LEMBAGA LETRIK NEGARA TANAH MELAYU

NATIONAL ELECTRICITY BOARD OF THE STATES OF MALAYA PORT KLANG POWER STATION — PHASE ! WATER TREATMENT PLANT CONTRACT No. 31/78/13

NOTICE OF INVITATION TO TENDER

The National Electricity Board (NEB) of the States of Malaya plans to invite tenders by July 1981 from manufacturers with proven experience for the design, supply, erection and commissioning of Water Treatment Plant for Phase I of Port Klang Power Station on the West Coast of Peninsular Malaysia. Phase I of the development consists of two 300 MW gas/oil fired boilers, turbine generators, EHV switchgear transformers and ancillary plant. The scope of work for the Water Treatment Plant Contract

Two-Streams of Ion-Exchange Water Treatment Plant, each 100 Tonne/h net to service, with associated pretreatment Clarification Units and Sand Filters. Mixed bed, full flow Condensate Polishing Plants.
Regeneration and Effluent Neutralising Equipment.

Each plant is to be fully automatic with control equipment supplied tinder this Contract. A "Brief Description of Works" may be obtained free of charge from Ewbank and Partners Limited at the address given hereunder. It will be necessary for Tenderers quoting for this Contract to have proven experience in the manufacture of plant of this rating and shall have worked in countries other than that of their manufacture.

Manufacturers who wish to tender for this Contract are requested to state their intention in writing by June 30th 1981 to the offices of Ewbank and Partners Limited. The procedure to be followed in obtaining tender documents are contained in the "Brief Description of Works."



Prudential House North Street Brighton BN1 1RW United Kingdom

MOROCCO

BUREAU DE RECHERCHES ET DE PARTICI-PATIONS MINIERES (BRPM) will solicit bids for the erection of equipment, structures and machinery for a small oil shale pilot plant to be located near Timahdit, Morocco.

Please indicate interest in bidding for this project by letter including qualification to data, BRPM, 5-7, Chariaa Moulay Hassan, Rabat, Morocco, and DAVY McKEE, 6200 Oaktree Blvd., Cleveland, Ohio 44131, before May 15,

Documents and drawings will be available to bidders approximately June 1, 1981.

Yemen Arab Republic

YEMEN GENERAL **ELECTRICITY CORPORATION** URBAN DISTRIBUTION PROJECT

Contract Yem 056-33 KV Reinforcement Project

Penders are invited by the Yemen General Electricity Corporation for the supply and erection of equipment to extend the urban distribution networks in the cities of

Sana'a, Hodeidah and Taiz including:— 33 km 33 kV overhead line

33 kV underground cable
5 33/11 kV substations including civil works
8 33/11 kV 10/20 MVA transformers 6 33 kV outdoor circuit breakers 40 11 kV indoor switchgear panels

Tenderers will be invited to submit financing proposals with their Tenders. Tenders will be opened in public in Sana'a at the office of

the Chairman of the Yemen General Electricity Corporation after a three-month Tendering Period. Applications for Tender Documents, which are expected to be available for collection by the end of May 1981, should be sent immediately to

Kennedy & Donkin Consulting Engineers Premier House Woking, Surrey GU21 1DG United Kingdom Telex: 859373 KDHO G

and must include a non-returnable fee of £100 or equivalent currency. Documents will be posted on request for the additional fee of £20 and applicants must state clearly the name and address to which the Documents are to be sent.

Republic of the Philippines NATIONAL POWER CORPORATION

April 8, 1981 INVITATION FOR BIDS

SEALED BIDS, in quadruplicate, plainly marked "Bid for Furnishing and Delivering Substation Equipment and Power Line Cerrier Equipment for the COTABATO ELECTRIFICATION PROJECT, MINDANAO, PHILLP-PINES," will be received at the Office of the Natuonal Power Corporation, Anda Circle. Port Area, Manila, until 10.00 a.m. on Juna 30, 1981, and then publicity opened.
Plans and Specifications, including lour (4) copies of the Bidding Form and four (4) copies of the Confidential Statement for DETERMINING BIDDER'S RESPONSIBILITY form, ore available for issue at the 11th Floor, Office of the National Power Corporation upon application and payment of Three Hundred Pasos (P300.00) for every set secured which is not refundable.

payment of Three Hundred Pasos (P300.00) for every set secured which is not retundable.

NAPOCOR has received a loan from the Asian Development Bank in various currencies towards the cost of the Negros and Mindenan Power Transmission Project, and it is intended that proceeds of this lean will be applied to payments under the contract for which this invitation to bid is issued. Payments by ADB will be made only upon approval by the Bank of an application presented by NAPOCOR in accordance with the terms and conditions of the loan agreement and will be subject in all respects to the terms and conditions of that agreement. Participation will thus be limited to Contractor's from eligible source countries as stated in the Specifications. Bids must be accompanied by a proposal bond in an amount equal to two per cent (2%) of the Bid Price. The cald bond shall be in a form as required in 18-14 of the Specifications. The right is reserved to reject any or all bids to waive any minor informality in the bids received, and to accept such bid which is most advantageous to the National Power Corporation.

Address all communications to the Sr. Vice-President, National Power Corporation, P.O. Box 2123, Anda Circle, Port Area, Manils, Philippines,

J. U. JOVELLANOS Sr. Vice-President

HK Wharf hotel to go public

-By Adrian Boven in Hong Kong

THE Hong Kong and Kowloon Wharf Company has decided that the Marco Polo, its 603room hotel in Singapore, is to go public with a \$\$42.86m (U.S.\$20m) offer of 31.75m new shares at S\$1.35 a share.

The hotel has undergone a major renovation and extension programme, which was completed last year and turned in after-tax profits for 1980 of \$\$3m. But the directors expect that profits for 1981 will rise to S\$6m. They said that room rates can be raised because room occupany stands at 92.7 per cent. The rate had been kept low on purpose as part of a promotional campaign.

The buildings and lands have been valued at S\$205m, yielding a surplus over book value of \$\$128m, and the net tangible assets stand at S\$130m.

Rentenanstalt lifts profits

By John Wicks in Zurich PROFITS for Rentenanstalt, the Swiss life insurance and pensions company, rose by 16 per cent in 1980 to SwFr 398m (\$193.2m), from which the board is to transfer SwFr 392m to the insureds' bonus reserves and SwFr 6m to the general reserve fund.

Premium income went up by 10 per cent to SwFr 2.49bn (\$1.2bn) during the year, with growth in Swiss franc terms in respect of all national markets. Of the premium total, some SwFr 1.6bn was accounted for by Swiss business.

Broström expects to reduce deficit

BY WESTERLY CHRISTNER IN STOCKHOLM

pany, the Swedish group, ex- A strategy of consolidation pects 1981 to be a year of reduced losses despite continued deficits in some operations, Mr. economic fluctuations "as much Paul Palsson, the managing as podirector, said in the annual pany. report, released today.

which last year returned a profit of SKr 51m (\$10.50m) compared with SKr 43m in 1979, was forecast to turn in a "satis-factory result "this year, as well as the marine service division. However, losses are forecast to keep up for Hoverlloyd, partially because of the high cost of bunker fuel.

Broström has yet to sign a final

BROSTROM SHIPPING Com- deficit sharply during the year. must be kept up, with sustained efforts to reduce exposure to as possible," says the com-

The company is understood The bulk and trade division, to still have Intercontinental Transport (Incotrans), of Rotterdam, on the market. Negotiations have ceased with Nedlloyd, the Dutch shipping group, for selling off certain portions of Incotrans.

Last year's domestic labour conflicts were said to have lopped off about SKr 25m from 1980's result. A freight war on the North Atlantic was contract with the British Rail-ways Board, owners of Sea-speed for merging the two loss-making. cross-Channel hover-deficit of SKr 67m. The freight craft operations. Management war affected the company's expects to reduce Hoverlloyd's liner division severely.

Adolph Saurer drew on reserves to cover loss

** CURRENCIES, MONEY and GOLD ** and Harkets

Europe looks to its defences by colin mileham

BY OUR FINANCIAL STAFF

ADOLPH SAURER, the Swiss commercial vehicles and machine-building company, said it drew on SwFr 6.3m (\$3.04m) 1980, in addition to reporting a net loss of SwFr 3.76m. This year losses are expected to be smaller, Herr Hans Munz, chair-man of the board, said at the annual Press conference.

ported a net less of SwFr 7.46m mercial co-operation agreement with an additional SwFr 15m of with Iveco was announced.

ings also improved in 1980, Herr Munz said, without disit drew on SwFr 6.3m (\$3.04m) closing whether the group had of reserves to cover its losses in a loss or a profit. The company does not publish figures for consolidated earnings.

reserves written off. Group earn-

He made no mention of any plans for an intensification of co-operation with Iveco, the Italian truck manufacturer. For 1979 the company re- Last year a technical and com-

On Friday the Swiss National

Bank decided not to wait for any

move from its German counter-

thanks to the strength of the guilder in the EMS.

On the other hand the Dutch

Calgary Power bid by Nu-West

NU-WEST GROUP, the fastgrowing real estate developer and energy group, based in Calgary, is making a new offer for Calgary Power, the principal Alberta electric utility company. Nu-West, which is headed by

Mr. Ralph Schurfield, is offer

ing the equivalent of C\$506m (U.S.422m) in cash and its own stock for a maximum of 22m Calgary Power shares, valuing each at C323.50. Together with the Calgary Power shares it already owns, Nu-West will have 48 per cent of the total if its bid succeeds. At the end of last year Nu-West made a bid for 48 per cent of Caigary Power in a battle with Atco, the major prefab building and energy group. Later, it withdrew its bid on the ground that the Federal budget last October would have adverse effects on the

Air Pacific in the red

Alberta economy.

By Dai Hayward in Wellington AIR PACIFIC, which is owned mainly by the Fiji Government, lost a record NZ\$5.Im
(U.S.\$4.53m) in the year ended March. The airline expects to lose at least NZ\$6m in the current year.

The other major shareholder in Air Pacific is Air New Zealand. Air Pacific began as an internal operator within the Fiji Islands but during the past few years has expanded.

and the decision by Switzerland. In Paris interest has inevitably

centred on the Presidential

election. The French francinitially lost ground on fears of

a Socialist victory, but showed signs of resilience on Friday.

Interest rate factors abroad and

pre-election nerves encouraged the Bank of France to increase

its money market intervention rate by 1 per cent to 131 per cent last Tuesday.

It is very much a matter of

For the convenience of readers the dates when some of the for the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Andounce-		Announce:
Date	ment last	Date	ment last
	year		year
*Akreyd and	-	ICLMay 29	Int. 0.95
Smithers, May 11	Int. 5.0	Johnson and	
A!lied		Firth Brown.,.May 14	lat. 1.3
trish BanksMay 21	Final 3.5	*Land SecsMay 18	
*Assoc. Paper		London and	
IndsMay 72	Int 244	NorthernMay 20	Final 2.1
Aust. and		London and	
NZ BankMay 19	Int. 12 cents	O'seas FritzMay 30	Final 1 072
Avon RubberMay 21	Int. 4.0	Northern	FM181 1.0/2
BOC IntlMay 21	int. 2.1		La DO
Sank of	1116 241	FoodsJune 4	
IrelandMay 14	Final 11.5	MEPCJune 3	
Bass May 28	Int. 2.3	MarieyJune 2	Int. 2.0
	Final 3.245	™Marks and	_
BerchamMay 29 BercoMay 15	Final 4.195	SpencerMay 20	Finel 1.9
		"Nurdin and	
Bilton (P.)May 25 BootsMay 21	Final 4.125	PeacockMay 13	Final 2.1
Bots	riudi 4.10	"Philips Lamps May 13	Final FI 1.2
Stores May 11	Figal 5.25	*RHMMay 21	Int. 1.524
	Int. 2.75	*Readicus IntlMay 19	Final 0.7
British SugarMay 12		*Rediearn	i iligi Ga
BrockhouseMay 22	int. 2.0	Nat. GlassMay 20	Int. 5.28
Capital and	Final 2.0	Reed intlJune 3	Final 9.0
CountiesMay 30	Final 2.56	Samuel (H.)May 19	Final 5.524
CoaliteMay 28			Final 1.3
Coats PatonsMay 13	Final 2,6	SearsMay 11	
CostainMay 12	Final 5.0	SketchleyJune 3 .	LIGHT ST
Courtaules May 29	Final 5.674		Final 5.438
DebenhamsMay 29	Final 4.324	(Jefferson)May 6	Final 3.5
De La RusJune 3		UBM,May 29 Ward	rinai 9.3
DuportMay 21	Final 3.116	7. W.), 3	Int. 2.407
Electronic RentalsJune 5	Fi 0 4 46	"Whitbread ,May 19	Final 4.35
	Finel 3,143		· 440
Euro. Ferries May 11		"Wolv. end	L-4 30
GuthrieJone 5	Final 21.0	Dudley BrwsMay 29	HIE. S.U
Harrisons and			

LOCAL AUTHORITY ROND TARLE

* Soard meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip usue since made. ¶ Forecast.

Authority (telephone number in parentheses)	Annual gross interest	Interes		Life
Knowsley (051-548 6555)	% . 121 . 121	l-year l-year	£ 1,000 200	Year 1-2 6-7

DACE I ENGINE DATES

RASE LEND	ING KAILS
A.B.N. Bank 12 %	■ Guinness Mahon 12 %
Allied Irish Bk 12 %	Hambros Bank 12 %
American Express Bk. 12 %	Heritable & Gen. Trust 12 %
Amro Bank 12 %	■ Hill Samuel
Henry Ansbacher 12 %	C. Hoare & Co
AP Bank Ltd 12 %	Hongkong & Shanghai 12 %
Arbuthnot Latham 12 %	Keyser Ulimana 12 %
Associates Cap. Corp 12 %	Knowsley & Co. Ltd 14 %
Banco de Bilbao 12 %	Langris Trust Ltd 12 %
BCCI 12 %	Lloyds Bank 12 %
Bank of Cyprus 12 %	Mallinhall Limited 12 %
Bank of N.S.W 12 %	Edward Manson & Co. 13 %
Banque Belge Ltd 12 %	Midland Bank 12 %
Banque du Rhone et de	■ Samuel Montagu 12 %
la Tamise S.A 121%	■ Morgan Greafell 12 %
Barclays Bank 12 %	National Westminster 12 %
Beneficial Trust Ltd 13 %	Norwich General Trust 12 %
Bremar Holdings Ltd. 13 %	P. S. Refson & Co 12 %
Bristol & West Invests. 13 %	Ryl. Bk. Canada (Ldn.) 12 %
Brit. Bank of Mid. East 12 %	Slavenburg's Bank 12 %
Brown Shipley 121%	E. S. Schwab 13 %
Canada Perm't Trust 13 %	Standard Chartered 12 %
Cayzer Ltd 12 %	Trade Dev. Bank 12 %
Cedar Holdings 12 %	Trustee Savings Bank 12 %
Charterbouse Japhet 12 %	TCB Ltd 12 %
Choulartons 12 % C. E. Coates 12 %	United Bank of Kuwait 12 %
	Whiteaway Laidlaw 121%
Co-operative Bank*12 %	Williams & Glyn's 12 %
Corinthian Secs 12 %	Wintrust Secs. Ltd 12 %
The Cyprus Popular Bk. 12 %	Yorkshire Bank 12 %
Duncan Lawrie 12 %	Members of the Accepting Houses Committee.
TO THE PERSON AND THE TO THE TO THE TOTAL PROPERTY AND THE PERSON	COMMILLES.

The Cyprus 2.2. The Cyprus 2.2

part, and raised the Swiss discount and Lombard rates by per cent to 5 per cent and 61 per cent respectively. In Amsterdam money market

tion to squeeze excess credit growth out of the monetary system gave a strong upward push to the dollar at a time when European central banks were hoping to nudge their interest rates down slightly.
The Belgian National Bank recently cut 2 percentage points off its discount rate, taking advantage of improved sentiment

on the formation of a new Government pledged to defend the

rise in U.S. rates last week. The

attempt by the U.S. Administra-

eased on the D-mark following ward move in the special the wake of events in the U.S. reacted nervously to the further the introduction of tighter credit Lombard rate so far. policies by the Bundesbank in late February.

In recent weeks the special Lombard facility has hardly been used, with Frankfurt call money well below the Lombard level of 12 per cent. But speculation has mounted lately that the special Lombard rate may be forced higher because of events on the other side of the Atlantic. Call money moved back around the 12 per cent level towards the end of last week, although since the D-mark remains fairly secure

* <u></u> :	Day's			7.	Three	7.
May 8	spread	Close	One month	р.а.	months	p.a.
U.S.	2.1050-2.1190	2.1160-2.1170	1.50-1.60c dis	-8.79	3.80-3.90dis	-7.2
Cenade	2.5240-2.5395	2.5370-2.5380	1.45-1.55c dis	-7.09	4.25-4.40dis	-6.8
Nethind.	5.28-5.33	5.30-5.31	¼c pm-¼ dis	0.56	11–1. pm	0.5
Belgium	77.50-78.10	77.75-77.85	35-45c dis	-6.17	110-120 dis	-5.9
Denmark	14.98-15.09	15.03-15.05	31 ₃₋₆₁ 10re dis	-3.44	10-11% dis	-29
Ireland	1.2975-1.3700	1,3055-1,3070	0.21-0.36p dis	-2.62	0.86-1.01dls	-2.8
W. Ger.	4.74-4.79	4.7 61, 4 .771 ₇	par-l _a of dia	0.63	¼-1 dis	-0.6
Portugal	126.50-126.85	126.65-126.85	80-135c dis			-7.4
Spain	190.25-191.20	190.35-190.55	130-165c dis			-8.0
Italy	2.369-2.385	2,376-2,378	18 ¹ -20 ¹ , line dis	-9.84	513-544 dis	-8.9
Norway	11.82-11.88	11.85-11.87	2-ore pm-1 dis	-0,25	∿ pm-¼ dis	0.0
France	11.27-11.35	11.284-11.29%	11-21-c die		4-6 dis	-1.5
Sweden	10.22-10.26	10.23-10.25	3½-4½ore dis		8,4-8,4 qis	3.4
<u>Papan</u>	457-453	460-461	2.45-1.85y pm		5.95-5.30 pm	4.8
Āustria	33.65-33.90	33.68-33.73	1-6gro dis			-0.9
Switz.	4,32-4.38	4.34-4.35	c pm جڙ-پا1	2.07	3 ⁷ 6-2 ¹ 6 pm	2.4

FUE DOLLAR COOT AND CODWARD

	Day's	Class	One month	%	Three	%
May 8	spread	Close	One month	p.a.	months	p.a
UKt	2.1050-2.1190	2,1160-2,1170	1.50-1.60c dis	-8.79	3.90-3.90dis	-7.2
Irelandt	1.6130-1.6310	1,6240-1,6260	0.75-0.85c dis	-5.92	1.73-1.83dis	-4.3
Canada	1.1979-1.1993	1,1990-1,1993	0.06-Q.01c pm	0.35	Q.14-0.09 pm	0.3
Nethind.	2,4950-2,5185	2.4970-2.5020	2.08-1,98c pm	9.76	5.05-4.95 pm	8,0
Belgium	36.68-37.01	36.76-36.76	10-7½c pm	2.86	17-13 pm	1.6
Denmark	7.0775-7.1400	7.0775-7.0800	4-31 ore pm	6.36	834-834 pm	4.8
W. Ger.	2.2420-2.2760	2.2525-2.2535	1.56-1.50pf pm	8.15	3.82-3.76 pm	6.
Portugal	59.75-60.20	59.80-60.00	15c pm-15 dis	_	40 pm-35 dis	0.1
Spain	\$9,90-90.45	89.95-90.05	10c pm-5 dis	0.33	par-20 dis	-0.4
italy	1,121-1,132	1,123-1,125	1월-2월 lire dis	1.87	41 ₂ -6 dís	-7.8
Norway	5.5990-5.6160	5.8050-5.8070	4-4ore pm		10.65-10.00pi	
France	5.3275-5.3700	5.3275-5.3375	3.20-3.00c pm	6.96	7.70-7.40 pm	5.6
Sweden Japan	4.8300-4.8520	4.8300-4.8350	2.10-1.90ore pm		5.00-4.80 pm	
fapan	216.50-219.00	217.46-217.55	2.50-2.30y pm	13.24	6.60-6.40 pm	11.5
Austria	15.88-15.97	15.88-15.89	124-104gro pm	8.69	31-27 pm	7.2
Switz.	2.0420-2.0760	2.0520-2.0530	1.96-1.85c pm	21.14	5.10-5.00 pm	9.8

conditions have been fairly com-fortable, with the authorities able to take a relaxed view,

franc. at the top of the European German interest rates also Monetary System, the German tended to decline as pressure authorities have resisted any up-

everyone taking up defensive positions and hoping that the prediction of Mr. Donald Regan, U.S. Treasury Secretary, of a central bank would almost certainly be forced to review its interest rate policy if the Bundesbank makes a move in reasonably quick downturn in **GOLD** (£2304-25134) | \$477-480 (£22712-82834) | \$478-481 (£228.480) | \$479.25 (£229.506) | \$477.75 Gold Corn (£237-8371₂) (£1221₂-193) (£621₄-625₄) (£651₄-26) (£2351₄-2555₄) \$4931₄-4941₂ (22541₄-2341₄) \$2543₄-2555₄ (2121-1211₂) \$1323₄-1533₄ (251-511₂) \$53-54 \$4991₂-4901₂ (2232₄-2323₄) \$1301₂-1211₄ (2551₂-57)

King Sovereigns. Victoria Sovs French 20,s 50 pesos Mexico 106 Cor. Austria.	\$133-135 \$133-135 \$188-192 \$599-604 \$466-471	(£6284-6334) (£8834-9034) (£283-28514) (£220-2823 ₃)	\$132-134 (2661 ₂ -631 ₂) \$132-134 (5621 ₂ -631 ₂) \$190-193 (290-911 ₆) \$593-598 (22811 ₄ -284) \$464-468 (£2201 ₄ -222) \$75-580 (£273-275)			
OTHER CU	RRENCIE	S.				
May 8	£		,	£ Note Rates		
Australis Dollar Brazil Crizzeiro Finland Marikta Greek Prachma Hong Kong Dollar Iran Riel Kuwait Dinar(KD) Luxembourg Fre Malaysia Dollar New Zealand Dir Saudi Arab. Riyal Singapore Dollar	1.8480-1.8510 174.48.175.48 9.03-9.05 115.888 118.088 11.44-11.46 164.00° 0.581-0.587 77.75-77.85 4.89-4.90 2.3800-2.3820 7.05-7.11	82.53.82.94 4.2690.4.2710 54.65.56.85 5.4125.5.4175 77.50* 0.2768-0.2773 36.76.36.78 2.3130.2.3180 1.1240.1.1250 3.8605-3.3630 2.1260 2.1210	Denmark	53,45-53,80 79,70-80,50 14,90,15,05 11,22-11,32 4,74-4,78 2530,9385 459,465 5,2712-5,3112 11,77-11,87 1,2312-1,72 1864-19612 10,20,10,30 4,32-4,36		
	King Sovereigns. Victoria Sove	Victoria Sova	King Sovereigns 5133-135	Sing Sovereigns 5133-135 (5634-654) 5132-134		

	'3 months V.	S. dollars	: 6 moi	nthe U.S. doils	ırs	The Ex	ding rates are t bid and offered	he arithmetic m rates for \$10m'(sans, rounded	to the negree	t one-stateenth
	ым 19 туль EURO-CUR	offer 19 18/16	1	1	19 5/16	at 11 s Tokyo,	en each workin Deutsche Ban	g day. The ban k, Banque Natio	ks are Nation	al Westminster	Bank, Bank o
		Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder		West German Mark	French Franc	Italian Ura	Belgian Franc	Japanese Ye
S	hort term 7 days' notice. fonth	105g-105g 11 11 4 12-12 4g 12 3-12 /s	184-181 ₂ 181 ₂ -185 ₄ 205 ₈ -206 ₈ 191 ₂ -195 ₄	18-19 18-19 18 ³ 4-19 ¹ 8 18 ³ 4-19 ¹ 8	104-1012 1014-1016 1118-1188 1158-1178	4.41g 6.61g 9 2.9% 913.912 914.97g	10 12 10 13 11 12 13 12 13 12 13 12 13 12 13 12 13 12 13 12 13 13 13 13 13 13 13 13 13 13 13 13 13	1214-1219 1514-151e 1569-1578 1314-14	21-23 21-22½ 21-525g 21-21¾	15½-16½ 16-17 17¼-18¼ 17¾-18¾	534-6 618-638 612-654 7/6-716 7/6-716 8/8-8/6

LONDON MONEY RATES

1981	Sterling Certificate of deposit	interbank		Local Auth. negotiable bonds		Company Deposits	Discount Market Deposits	Treasury	Eligible Bank Bills &	Fine Trade Bills ¢
Overnight		1-114 1034-114 1132-1218 1218-1218 1214-1214 1231-1218 1238-1238	10-11 1149-1156 1179-12 12 1214 1214 1259-1234	131 ₀ -127 ₈ 13-123 ₄ 13-123 ₆ 12-123 ₆ 12-123 ₆ 123 ₄ -121 ₂	11½ 12½ 12% 12% 12% 12%	12åg 121 ₉	1019-11 2119 1150	11 11 11 11 11 11 11 11 11 11 11 11 11	112-114 112-114 112-114 115-114	12-75 12-75 12-75 12-75 12-75 12-75 12-75
Two years		1	13	- 1		1 -	<u> </u>	(=		

Local authenties and finance houses seven days' notice, others seven days' fixed, Long-term local authority mortgage rates nominally three years 13-134 per cent; four years 134-134 per cent; five years 134 per cent. &Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 117 per cent; four-month trade bills 12 per cent.

Approximate selling rate for one-month Treasury bills 11½ per cent: two-months 11½-11½ per cent: three-months 11½-11½ per cent: two-months 11½-11½ per cent: and three-months 11½-11½ per cent: and three-months

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RECENT ISSUES

					EQUITIES	· :-					
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	issue. price £	Page	Renue Date	19 High	81 Low	Stock	Olosin	+ œ
	99, 486 973, 11 963, 15	F.P. £30 £10 F.P. £20 F.P.	10/7 26/6	26 16 2008	10 82p 284 6 101p 164 102½ 224	BPC 7.75% Non. Cum. Prf. Cambridge Water 8% Prf. 1886 Colonial Secs. 70% Cum. End Pref. 5p International Br. 154% Lp. 1886 Leeds (City of) 154% Red. 2006. Norton (WE) 11% Cnv. Cum. Rd. Prf. Petroleoa Mez. 144% Lp. 104.2008:232pd Sutton District Water 2% Pref. Swaness (City of) 154% Red. 2008 235pd Weir Group 10%Red Cum Part. Conv. Prf. West Hampshire Water 5% Red. Prf. 85	285, 74, 101p 174, 1021g 251g	+12
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<u>. 22</u> 2. St. Mary Axe, London, ECS. 2, St. Mary Axe, Lendon, EC3. (01-283) 2531
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801, Gloucester, 11, Pedder, Hosp Kang
Japan Fardy May 6, USSIG16 30,461-107

Japan Tech, May 6, USSIG16 19,44

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Po Box 71, 7 New St., Peter Part, Guernser, Ct.

Sir Fd. Fd. 16,721

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Sincharve of Prebationy charge, TWeetly desires,

Mill-Samuel & Co. (Guernsey) Ltd.

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FINANCIAL TIMES

Monday May 11 1981



Haughey is likely to hold election next month

By Walter Ellis in Belfast

THERE IS now strong speculathat Mr. Charles Haughey, the Irish Prime Minister, will call a General Election this week, probably to be held on June 4 or June 11. An official announcement could come

The "special relationship" between Mrs. Margaret Thatcher and Mr. Haughey has emerged as the key target for organisers of the Maze prison

At a conference called by the National H-Blocks Committee in Belfast yesterday. It was announced that Irish Government Ministers and other politicians in the Republic would be intensively lobbied over the next few weeks. The idea is to break the much-publicised but largely unexplained Anglo-Irish under-

standing.
Political status for Republican prisoners remains the immediate aim of the committee, but it is clear that the Provisionals - whose philosophy is at its core-now wish to exploit what they consider to be their newfound political respectability. They want to isolate Britain in the eyes of the world as stern and repressive, while destroying what they fear could for them between Mr. Haughey and Mrs. Thatcher.

Mrs. Thatcher and Mr. Haughey met in Dublin last December. Both leaders claimed that the talks had been extremely successful and that an inter-governmental realignment on the Ulster question was developing. Neither revealed what had been agreed, and the summit has ever since been the subject of specula-

The H-Blocks Committee had hoped that its conference vesterday would be attended by politicians from both parts of Ireland, However, none turned up, and the committee was left to urge a "broad front of Republicans, the Social Democratic and Labour-Party and interested MPs of Mr. Haughey's Fianna Fail

On the assumption that Mr. Haughey does go for an early election, his stand on the hunger strike could prove decisive Mr. Haughey continues to pin his hopes for an end to the hunger-strike crisis on a fresh intervention by the European But there is no sign that this will materialise.

Meanwhile, the condition of Mr. Francis Hughes, the hunger striker who first followed the example of the late Mr. Bobby Sands, MP. continues to worsen. Last night, he completed 57 days without food. Mr. Raymond McCreesh and Mr. Pat O'Hara have fasted for 49 days, and were joined on Saturday by Mr. Joseph McConnell.

The H-Blocks Committee is to hold a hunger-strike rally in Dublin shortly, and has called for the expulsion of the British Ambassador from Ireland.

Users seek **SE Council** membership

By Christine Moir

SENIOR INSTITUTIONAL investment managers have called sider as a matter of urgency the appointment of representatives of major users of the market

to its Council.

Mr. George Dennis, director of security investment for the Post Office Pension Fund, said in Birmingham on Friday that the time had come for a much closer and detailed dialogue" between the two sides.

His point was forcibly strengthened by Mr. Charles Woodward, incoming chairman of the investment protection committee of the National Association of Pension Funds. He told the association's conference: "The Stock Exchange is a very closed shop. The appointment of non-executive user representatives to it could improve communications and make unanimity easier to obtain on

Behind the call for closer cooperation lies the institutions' dissatisfaction with the present structure of dealing charges for stockbroking commissions.

A recent study by the NAPF, Mr. Dennis said, showed that the present system may not be entirely satisfactory." On the other hand, there was a consensus that there should be a minimum level of commission because market users "do not want to see such a degree of volatility in brokers' earnings that, given the next downturn, they may go out of business." The pressure for change in the securities market was such that brokers today needed all the capital they could find to adjust to future needs.

Few signs of success emerge from U.S. mediation over missiles

Risk of Israel—Syria clash increases

by dayid lennon in tel ayiy and louis fares in damascus

A SENIOR U.S. envoy is due in Jerusalem today in a lastminute effort to prevent an outbreak of hostilities between Syria and Israel over the presence of Syrian missiles in down two Syrian helicopters

Mr. Philip Habib, President Reagan's special envoy, apears so far to have failed to persuade Syria to remove the missiles. Both sides have hardened their positions in the last two days. The risk of an Israeli attack on the missiles at the end of Mr. Habib's mission has increased

Mr. Habib spoke to President Hafez Assad in Damascus yesterday as Syrian jets buzzed the capital. Later an official Syrian statement said Syria had drafted a "comprehensive strategy" to confront any Israeli attack on Lebanon and

BY PHILIP BASSETT, LABOUR STAFF

call for an all-out strike to

intensify the campaign of selec-

tive stoppages now entering its

The Civil and Public Services

Association is expected to reach

this decision at its annual con-

tion, which represents clerical staff, is likely to be echoed to-

morrow by the executive-grade

Society of Civil and Public

Servants. Similar, though less

militant, resolutions have come

from the Inland Revenue Staff

Federation, representing tax

officials and the lower-grade

The emergency motion most likely to be considered by the

association's conference is from

the Liverpool Customs and Excise Branch. This says: "It

may prove necessary to call an

all-out strike of civil servants

to win a living wage in 1981."

It instructs the union to begin

immediate discussions with

other members of the Council

of Civil Service Unions towards

Closure of all ports and air-

Civil Service Union.

includes a call for:

missiles in Eastern Lebanon to back-up its 30,000-strong force there after Israeli jets shot being used to attack Lebanese positions near

The Syrian statement said Gen. Mustapha Tlas, the Def-ence Minister, had told an extra-ordinary Cabinet meeting that special measures had been taken

to face any Israeli attack.

Mr. Yassir Arafat, the
Palestine Liberation Organisation chairman, said he expected
a major Israeli attack on
Palestinian positions in southern Lebanon. In a gesture of support, Libya's Foreign

arrived in Damascus yesterday

on "an urgent mission." Syria

expected to call for full strike

BRITAIN's largest Civil Service Service strike and a lobby of pay and next year's pay settle union is likely to approve today

Parliament.

. An emergency system of

benefit payments to protect

Department of Employment and

Department of Health and Social

Even if this or another simi-

lar motion is passed, civil service union officials may feel

it is not well considered enough

to be the basis for an intensifi-cation of the campaign and so

may not act on it. However

the pressure it exerts and that

from the society's emergency resolution, which calls for a five-

day national strike from May

is bringing the lengthy dis-

The Government is convinced

that such action would be con-siderably less than fully sup-

ported-a point brought out at

the federation's conference at

approved a motion pledging the

union's support for any intensi-

fication of a campaign called for by the CCSU, but a number

of delegates made it plain that they would not be able to

this end.

deliver action by their branches. position of the association's
The motion mentions the need Civil Service Department executive may further stiffen
to escalate the campaign to officials have some sympathy resistance to the Government's

forward a plan of action which the campaign. They believe that mingham and Liverpool air-

ports by indefinite strikes of further discussions at which the as part of the unions campaign

Delegates

if the unions can weather their ports are being called out on

conferences, there could be strike for their first shift today

weekend.

Security claimants.

pute to a watershed.

Largest Civil Service union

reiterated yesterday that it

the anti-aircraft and that it had full Soviet Union being conducted by Damascus. backing for this position.

In Jerusalem, Mr. Menahem Begin, the Prime Minister, will seek Knesset (Parliament) backing today for his tough crisis and will undoubtedly get

It seems fairly certain that the main opposition party will support the Government's policy of threatening military action against the Syrian mis-sile batteries if they are not withdrawn from the Bekaa

Begin briefed his Cabinet yesterday on latest developments in Lebanon. Officials in Jerusalem later said privately that the recent reports of Syrian reinforcements being moved into Lebanon appeared

offer of 7 per cent has been ruled out, but the department

would be ready to point out that arbitration would still be

Union leaders believe the

disciplinary measures

Government may get tougher in

against strikers once the con-

ferences are over. If there is further escalation of the action,

the Government has ready a

number of options of action as

be implemented as a group.

They include the withdrawal of the 7 per cent offer, a refusal to backdate a settlement to the

due date of April 1, or a decision to put the offer into civil servants' pay packets des-pite union leaders' opposition.

be improved by the announce

ment expected in the next few days, of an 11 per cent pay

increase for the armed forces.

and left wing gains in the com-position of the association's

Air traffic controllers at Bir-

The unions' tempers will not

These are of differing levels

seriousness, and would not

open for next year.

counter-measures.

would not remove its missiles to be part of a war of nerves

that Syria has not moved any more anti-aircraft missiles into Lebanon since the original SAM-6 batteries were deployed there 11 days ago. The total number of Syrian forces and armour in Lebanon remains

Both the military and the politicians say that unless the U.S. envoy scores an unexpected diplomatic success, Israel will certainly exercise its military

İsraeli officials are puzzled by Damascus's hard-line stance. A limited war with Israel could create internal unity in Syria but a massive military defeat is seen as being an unrea high price for President Assad

Thatcher in talks

reach agreement with Chancel-lor Helmut Schmidt, of West Germany, during talks at Chequers today and tomorrow on long-term proposals for re-structuring the European Community Budget and reforming Common Agricultural

This could be the most sig-nificant achievement in discussions held at a time when there are no outstanding bilateral differences to be resolved. After Mrs. Thatcher's battles

last year to win a Budget re-fund for the UK, West Germany has become by far the largest contributor, with Britain the only other net contributor among the Ten. Both leaders therefore have a strong vested interest in pressing ahead fast with reform.

The British Government hopes that progress towards reform can be made first at the next EEC summit in Luxembourg at the end of June and then during the UK's term in the EEC presidency in the second half of the year.

morning, will review the out-come of the French and West Berlin elections and will then concentrate on three main areas. Besides internal EEC developments, these will be East-West relations, including Poland and Afghanistan and other international issues especially the Middle East.

Schmidt and at Chequers

By Richard Evans, Lobby

THE Prime Minister hopes to

THE LEX COLUMN

Licensed dealers need new rules

succession and it begins to look cover the affairs of investment as though something is wrong advisers who handle sums of with the system. It is imoney on behalf of their ironic that for all the recent criticism of self-regulation in the City of London, the really serious cracks which have been appearing are in the area of statutory control. statutory control.

The Department of Trade is currently tooking into the affairs of three licensed dealers, and the police are involved in a fourth case. Private investors have lost substantial sums in circumstances which would have caused a national outery if they had occurred under the roof of the Stock

It is too early to say whether the firms that have run into trouble have done so as a result of activities which depended on their having a licence from the Department of Trade. But these events have highlighted the shortcomings of a system of regulation which was simply not designed to cope with the problems that are emerging.

The legislation is based on the Prevention of Fraud (Investments) Act of 1939. Subject to certain exemptions, anyone who wants to carry on the business of dealing in securities has to have an anually renewed licence—but the barriers appear so low that only the clumsiest of viliains need stub his toe.

A form has to be completed in an approved manner and accompanied by a deposit of £500. The Department consults the Stock Exchange, the police, and anyone else who might have relevant information, but in practice its powers to refuse or revoke a licence are very limited. The Department does not have to be satisfied that the applicant is a fit and proper person to hold a licence. It must grant a licence unless it is sure that the candidate is not a fit and proper person.

no supervision. At present, there are around 1,000 licences in issue—and apart from clerical staff, the Department has the equivalent of about 14 full timers on the job. Licensed dealers do not have to file

Thereafter there is effectively

One financial upset may be The reason is that the legis-bad luck: three or four in quick lation was never intended to

aware for years that changes are needed. In 1977, a consultative document was presented to Parliament which proposed. among other things, that the range of occupations covered by the Act for licensing dealers should be broadened, and that fuller information should be required from applicants for licences. Subsequently, the Wilson Committee recommended that legislation along

these lines should be introduced as soon as possible.

But nothing ever happened.

With a series of new companies bills in the pipelines, there was never a hope of squeezing a new Prevention of Fraud Act into the legislative programme. Say what you like about self-regulation-but the Stock Exchange or the Takeover Panel are always far quicker to react to a recognised new problem than any statutory bodies, at least the way things work in the UK. Some things can and-as a result of recent events -

probably will be done without waiting for legislation. There are a number of rules laid down under the Act which do not have the force of criminal law but which do have a bearing on whether a licence is renewed. These can be revised by order of the Minister. The Department is considering one important new rule which would require that client's money should be kept in separate accounts in the client's name, secure from any financial problems of the licence holder. But there is still an over-

riding need to reconsider legislation which in most respects has been unchanged for over 40 years. It is anomalous that so many investment advisory activities do not come under the net either of self-regulation or statutory controls. The scandals of Norton Warburg et al must spur some essential changes.

Mexico Fund

ment. There are no Fund has been held up by so timers on the job. There are no many administrative hitches rules about how uninvested that some underwriters had alcash should be handled, or how most despaired of its ever commissions should be struc-tured or where clients' money may be invested.

apearing. Last week, however, investors looking for the structure of the structure

The reason is that the legis- begin in about a month, after the Securities and Exchange Commission in the U.S. has given its approval. The fund, which will initially

raise \$72m in \$12 shares, is a closed-end investment company designed to provide foreigners with a broad portfolio of Mexican stocks. Until now, Government regulations have from buying shares in all but a handful of Mexican companies. Investment decisions will be made jointly by Mexican and

foreign advisers but control will rest firmly in Mexican hands. The numerous delays are particularly embarrassing to the managers as the Mexican Stock Exchange Index, after rising from 275 to 1,488 between the end of 1976 and 1990, has recently been heading down wards under the pressure of very high interest rates. With inflation running at around 30 per cent and twoyear certificates of deposit returning 30f per cent net, it takes a brave man to buy into a stock market which yields 5 per cent on average. The market fell 8 per cent in the first two months of this year and has since staged only a modest

Since the Fund's assets will all be donominated in peros, foreigners will also be faced with the prospect of continuous currency devaluation. The peso currently being allowed to depreciame at about an annual 10 per cent rate against the dolar but there is pressure building up for more dramatic masive 1976 devaluation.

The currency is already labouring under a current account deficit which is unlikely to be much below 1980's \$6.6bn

The possibility of a radical shift in economic policy under the as yet unnamed new President, who will take office next year, is also unsettling some investors. But the Fund should still sell like hot cakes. Mexico's historic growth record of around 8 per cent per annum in real gross national product. harnessed to its rising oil revenues, has allowed many domestic companies to record real earnings growth of 15 per years. And yet the market is still selling on a p/e of about 7. The low yield and relatively high dividend tax may not deter investors looking for a way into Mexico's attractive

Supermarkets may be cleared of abusing power for discounts

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

force the Government to reach for the efforts of union leaders offer.

air traffic control, Customs and Government would present of disruption.

Immigration staff. details of its plans for an out-

an early settlement. It puts to prevent militants intensifying

A five-day national Civil side inquiry into civil service

to force large bulk-buying price given to retailers. discounts from food manufac-

The Monopolies and Mergers large discounts, ostensibly commission is expected to conclude that supermarkets' ability to obtain discounts from manutain their own sales volume. facturers does not operate against the public interest, because supermarkets usually pass on the discounts to their customers in the form of lower prices.

These conclusions are expected to be contained in the commission's long-awaited report on discounts to retailers, due to be published this week. However, the report is likely to acknowledge that the increasing market-power of big super-market chains can have harmful effects, especially in reduc-

ing consumer choice. For example, food manufac-turers may be forced out of able. The most notable example strong price competition in newspaper of this was when Spillers was food-retailing which has helped by July.

Mitterrand wins

In foreign affairs, M. Mitter-

critical of the Soviet Union than

his predecessor, after having frequently condemned in the

sharpest possible terms the Soviet invasion of Afghanistan. The new President believes that

Europe has a special independ-

ent role to play on the world

stage, but is expected to place

much less emphasis on the Paris-Bonn axis than did M.

M. Georges Marchais, the

Communist leader, said that his

party was ready to take part in

all necessary discussions with a reagred the Sov view to participating at all Eastern Europe levels in a Socialist administra- Commonwealth,

Giscard d'Estaing.

SUPERMARKET CHAINS are forced out of bread production to minimise the rise in food this week likely to be acquitted in 1978, largely because of disprices in the past few years of abusing their market power counts of up to 30 per cent

Food manufacturers are vir- generally. tually forced to give retailers tain their own sales volume, because overall demand for food remained relatively static in recent years.

Major supermarket chains themselves used the discounts to finance their High Street price-war over the past four years, to boost their trade in the static food market.

Small grocers without the financial muscle of the big supermarkets are being squeezed out of business because they cannot compete on price with the large chains. However, the commission appears to have discounted the long-term structural effects of major food retailers' increased

make their operations unprofit-been influenced partly by proposed bid for The Observer able. The most notable example strong price competition in particular and the commission of the commissi

rand is expected to be more giving an abstention rate of The high participation rate

Council, calling them little Stalins. He said Mr. Benn

According to computer pro-jections, about 86.5 per cent of was not about personalities—thing about it."

Continued from Page 1

the registered electorate voted, the 1974 presidential contest.

13.5 per cent-a very low-figure was all the more remarkable

by Western democratic stand- since, in all reas of France exards. but not quite as good as cept the Cote d'Azur, polling

ship of the Labour Party and though they might be im-Mr. Ken Livingstone, the new portant at times but about leader of the Greater London policies. Ordinary members had

reagred the Soviet Union and wing policies meant in practice.

Eastern Europe as the socialist "Once people understand

However he stressed that the towards an Eastern European

the turnout in the 2nd round of took place in driving rain.

Chapple Continued from Page 1

prices in the past few years while inflation has been running at a high level

Some retailers and manufacturers are likely to criticise the report for not supporting the idea of legislation similar to that in the U.S. which for many years has prohibited quantity-related discounts.

This week's report from the commission is the first of several which will be published over the next few weeks. The results of two public-sector investigations under the Competition Act, into the Central Electricity Generating Board and the Severn-Trent Water Authority, are due to be published this month.

These will be followed by the commission's reports on the supply of trading cheques and on the roadside advertising industry. The commission is also involved in several merger

policies. Ordinary members had

that we are being ratcheted

not yet fully grasped what Left-

Weather UK TODAY

RAIN AT TIMES, occasionally thunder. Warm and humid. London, S. England, Midlands S. Wales Outbreaks of thundery rain,

heavy at times. Max. 16C (61F). E., N.E. England. Rain at times, thundery later Coastal fog. Max. 17C (63F) N. Wales, N.W. England Rain at times, thundery in places. Max. 17C (63F) N.W. Scotland, Orkney,

Mostly dry, bright or sunny intervals. Max. 14C (57F). Rest of Scotland, N. Ireland Rain in places, bright or sunny intervals. Max. 16C (61F). Outlook:

Sunny intervals and showers. Mostly rather warm. WORLDWIDE

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Y'day midday

NEW YORK (HILLOW CO) ILLINOIS LAND OF LINCOLN CHEAGO BRANCH OPEN Tokai Bank is the driving force. Los Angeles, New York and now Chicago. Full Tokai branches reach from coast to coast in the United States. And they're supported in North America by a representative office network that includes Toronto, Mexico City and Houston. Of course, offices are just part of Tokal's strength. Assets total over 44 billion dollars. And the ways Tokal utilizes those resources have made the bank an influential financial leader -- in Japan, North America and the world. A take charge attitude. Tokai has it. And it keeps TOKAI BANK Tokai moving ahead. CALIFORNIA